

**INVESTMENT ADVISER BROCHURE**

**ALTARIS CAPITAL PARTNERS, LLC**

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**March 30, 2020**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Altaris Capital Partners, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (212) 931-0250. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Management Company is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

The Management Company filed its most recent Form ADV Part 2 on March 29, 2019. This annual amendment does not include any material changes.

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## ADVISORY BUSINESS

Altaris Capital Partners, LLC is a private investment management firm, including several investment advisory entities and other organizations affiliated with the Management Company (collectively, “**Altaris**”).

The Management Company, a Delaware limited liability company and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Management Company commenced operations in January 2007.

The following are the affiliated advisers of the Management Company (collectively with the Management Company, the “**Advisers**”):

- AHP II GP, L.P. (“**GP II**”);
- AHP III GP, L.P. (“**GP III**”);
- AHP Constellation GP, L.P. (“**Constellation GP**”);
- AHP IV GP, L.P. (“**GP IV**”);
- AHP Constellation IV GP, L.P. (“**Constellation IV GP**”);
- Altaris Partners, LLC (“**Altaris Partners**” and collectively with GP II, GP III, Constellation GP, GP IV and Constellation IV GP, the “**General Partners**”); and
- AHP IV Manager, L.P. (“**Manager IV**” and together with the Management Company, the “**Management Entities**”).

The Advisers’ clients include the following:

- Altaris Health Partners II, L.P. (“**Fund II**”);
- Altaris Health Partners III, L.P. (“**Fund III**”);
- Altaris Constellation Partners, L.P. (“**Constellation**”);
- Altaris Health Partners IV, L.P. (“**Fund IV**”); and
- Altaris Constellation Partners IV, L.P. (“**Constellation IV**” and collectively with Fund II, Fund III, Constellation and Fund IV, the “**Partnerships**,” and the Partnerships collectively with any future private investment fund to which Altaris or its affiliates provide investment advisory services, “**Private Investment Funds**”).

The General Partners each serve as general partner to one or more Partnerships or other pooled investment vehicles and have the authority to make the investment decisions for the Partnerships to which they provide advisory services. The Management Entities provide day to

day advisory services for the Partnerships. Each of the General Partners and Manager IV is subject to the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners and Manager IV, which operate as a single advisory business together with the Management Company.

The Partnerships and any other Private Investment Funds invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” The Advisers' investment advisory services to the Partnerships consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted, subject to certain limitations in the limited partnership or other operating agreement of each Partnership (each, a “**Partnership Agreement**”). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates generally serve on such portfolio company's board of directors or otherwise act to influence control over management of portfolio companies in which the Partnerships have invested.

The Advisers' advisory services to the Partnerships are detailed in the applicable private placement memoranda and other offering documents (each, a “**Memorandum**”) and Partnership Agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in the Partnerships participate in the overall investment program for the applicable Partnership, but may be excused from a particular investment due to legal, regulatory or other applicable agreed-upon circumstances pursuant to the applicable Partnership Agreement. The Partnerships or the Advisers may enter into side letters or similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time, the Advisers may provide (or agree to provide) certain investors or other persons, including the Advisers' personnel and/or certain other persons associated with the Advisers and/or their affiliates (to the extent not prohibited by the applicable Partnership Agreement), co-investment opportunities, including opportunities to participate in co-invest vehicles that will invest in certain portfolio companies alongside a Partnership. Such co-investment opportunities typically involve investment and disposal of investments in the applicable portfolio company at the same time and on the same terms as the Partnership making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from a Partnership. Any such purchase from a Partnership by a co-investor or co-invest vehicle generally would occur shortly after the Partnership's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the relevant Adviser's sole discretion, an Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Partnership for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Partnership.

As of December 31, 2019, Altaris managed \$2,672,283,380 in client assets on a discretionary basis. TYSON Partners, L.P., a Delaware limited partnership (“**TYSON**”), is the

sole member of the Management Company. The general partner of TYSON is Altaris Partners, LLC which is principally owned by George E. Aitken-Davies and Daniel G. Tully.

## **FEES AND COMPENSATION**

In general, the Management Entities receive a Management Fee (as defined below) and the General Partners each receive a carried interest in connection with their provision of advisory services. The Management Entities, the General Partners or other Altaris entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Partnerships and a portion of such additional compensation will offset in part the management fees otherwise payable to the Management Entities. Investors in a Partnership also bear certain expenses. The receipt of any such fees from co-investors will not reduce the Management Fee payable by any Partnerships that have also invested in such investment, and as a result a Partnership will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below and in the applicable Memorandum and/or Partnership Agreement of each Partnership, it is the Advisers' practice to retain certain third-party consultants (*e.g.*, members of Altaris' Operating Network) to provide services to (or with respect to) certain portfolio companies in which one or more Partnerships invest. Any such consultants generally receive compensation and other amounts described herein, but not such amounts will result in additional offsets to the Management Fee.

The limited partners of Constellation and Constellation IV bear no Management Fee.

### **Management Fee**

Each of the Partnerships generally pay the relevant Management Entity, quarterly in advance, a management fee (the "**Management Fee**") equal to 2.0% on an annual basis of aggregate Partnership third-party investor capital commitments ("**Commitments**"). The General Partner does not pay a Management Fee on any amounts invested into a Partnership. Investors participating in a closing after the initial closing of a Partnership bear the Management Fee from the date of the initial closing of such Partnership. After the expiration of the "**Investment Period**," which generally runs from the initial closing of a Partnership through the sixth anniversary of the date of the initial notice of capital contribution drawdowns or until certain termination events (as further described in the applicable Partnership Agreement), the Management Fee will generally equal 2.0% of capital contributions used to acquire portfolio investments that have not been sold or otherwise exited. The Management Fee will be payable over the term of the applicable Partnership. Installments of the Management Fee payable for any period other than a full three-month period are generally adjusted on a *pro rata* basis according to the actual number of days in such period. The Management Fee will be paid out of current income and disposition of proceeds of the applicable Partnership and, to the extent necessary, from called capital commitments to such Partnership which will reduce unfunded capital commitments; provided, however, that to the extent of subsequent distributions, such amounts will be restored to the unfunded commitments and may be recalled by such Partnership.

The Management Fee will be reduced by a portion of a Partnership's share of any directors' fees, professional services fees, and any breakup fees and certain other fees paid by portfolio

companies to a General Partner, the relevant Management Entity or their affiliates, partners, members, officers or employees (such fees, “**Supplemental Fees**”). To the extent that such an offset credit would reduce the Management Fee for a given three-month period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent that any other Partnership or any other entity or individual co-invests alongside the Partnership in any portfolio company investment, any Supplemental Fees generally will be allocated *pro rata* among the Partnership and the co-investors in proportion to the cost of the investment in the portfolio company borne by each.

As permitted under the Partnership Agreement for each Partnership, the General Partner may waive or agree to reduce the Management Fee. Certain such waived or reduced portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Partnership on such General Partner’s behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Partnership. The limited partners of the Partnership may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees have the potential to be significant. Due to waived or reduced Management Fees by an Adviser and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Partnership, resulting in a net additional benefit to such Adviser.

### **Carried Interest**

The General Partner of each Partnership is entitled to receive a carried interest with respect to such Partnership equal to 20% of all profits in excess of an 8% compound preferred return, subject to a General Partner catch-up as more fully described in the applicable Partnership Agreement. The carried interest distributed to the General Partner is subject to a potential giveback at the end of the life of the applicable Partnership (and, in the case of Fund III and Fund IV, on the six-year anniversary of the date on which Fund III or Fund IV, as applicable, is issued its initial drawdown notice for the Management Fee, or, in the case of Fund IV, on any two-year anniversary thereafter until the final distribution of the assets of Fund IV) if the General Partner has received excess cumulative distributions.

It is expected that any similar future Private Investment Funds will have a similar fee structure.

### **Other Information**

The Advisers are permitted to exempt certain investors in the Partnerships from payment of all or a portion of Management Fees and/or carried interest, including the General Partners and any limited partner the majority of outstanding voting securities of which are held directly or indirectly by a General Partner, the relevant Management Entity or one or more of their respective affiliates. Any such exemption from fees and/or carried interest may be made by a direct

exemption, a rebate by an Adviser and/or its affiliates, or through other Partnerships which co-invest with a Partnership. For example, in instances where an Adviser professional or its affiliate invests in a Partnership, such professional or affiliate generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers have the right to permit investors, affiliated with the Advisers or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

The Partnerships generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the applicable Partnership, and investors generally are not permitted to withdraw or redeem interests in the Partnership.

Principals or other current or former employees of Altaris may receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the General Partners, the Management Entities or their affiliates.

In addition to the Management Fee and carried interest payable to the relevant Adviser, each Partnership bears certain expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement of each Partnership, a Partnership bears all fees, costs, expenses, liabilities and obligations relating to the Partnership's and/or its subsidiaries' activities, investments and business (to the extent not reimbursed by a portfolio company), including (i) all fees, costs, expenses, liabilities and obligations attributable to identifying, investigating, acquiring, holding, structuring, organizing, financing, refinancing, restructuring, managing, monitoring, operating, taking public or private, valuing, winding up, liquidating, dissolving and disposing of the Partnership's investments (including (a) interest and fees on money borrowed by the Partnership or by the applicable Management Entity, General Partner or any affiliate thereof on behalf of the Partnership, (b) principal, interest and any related fees and expenses associated with hedging activity permitted under the applicable Partnership Agreement, (c) expenses incurred in connection with credit facilities and (d) registration fees and expenses and commitment, real estate title, survey, brokerage, finders', custodial and other fees and expenses), (ii) legal, accounting, asset and financial administration, custodian, depository (including a depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), commercial banking, auditing, travel, litigation and indemnification costs and expenses, judgments and settlements, consulting, financial advisory, mergers and acquisitions advisory, investment banking, filing, printing, title, transfer, registration, market and reference materials (to the extent incurred for an actual or potential portfolio company), (iii) fees, costs and expenses associated with the preparation or distribution of the Partnership's financial statements, tax returns, tax estimates and Schedule K-1s (including the Partnership's online reporting portal), any other administrative, regulatory or other Fund-related reporting or filing (including (A) any filings, forms, notifications, reports or other documents required under the Securities Exchange Act of 1934, as amended (including, without limitation, Form 13F, Form 13H, Section 16 filings, Schedule 13D filings and Schedule 13G filings), (B) any filings, forms, notifications, reports or other documents prepared with respect to the Foreign Account Tax Compliance Act and any comparable non-U.S. filings, (C) any filings, forms, notifications, reports or other documents to be filed with the U.S. Commodity Futures Trading Commission and (D) reporting, filing or other



compliance requirements (other than the initial registrations, filings and compliance) contemplated by the AIFMD or any other similar law, rule or regulation as implemented in any relevant jurisdiction (including any implementing law, rule or regulation relating thereto), (iv) fees, costs and expenses incurred by or on behalf of the Advisory Board in connection with the Advisory Board's activities, (v) all fees, costs, expenses, liabilities and obligations incurred by the Partnership, the applicable General Partner or such General Partner's members, managers, partners, officers and employees relating to investment and disposition opportunities for the Partnership not consummated (including legal, accounting, auditing, insurance, travel, consulting, financial advisory, mergers and acquisitions advisory, investment banking, structuring, brokerage, finders' (including executive finders and portfolio company finders), financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses) ("**Broken-Deal Expenses**"), (vi) all out of pocket fees and expenses incurred by the Partnership, the applicable General Partner or such General Partner's members, managers, partners, officers and employees in connection with the annual and other periodic (if any) meetings of the limited partners and any other conference or meeting with any limited partner(s), including lodging expenses for the applicable General Partner or any of its members, managers, partners, officers and employees, (vii) the Management Fee, (viii) any taxes, fees and other governmental charges levied against the Partnership (except to the extent that the Partnership is reimbursed therefor by a reimbursing partner or such tax, fee or charge is treated as having been distributed to a partner pursuant to the applicable Partnership Agreement), (ix) costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles, (x) all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding-up of any alternative investment vehicles and (xi) any regulatory related fees or expenses related to the Partnership (excluding, for the avoidance of doubt, the fees and expenses related to the preparation and filing of Altaris Capital Partners, LLC's Form ADV, Form PF and any other registration or filing obligations not directly related to the Partnership).

The Management Entities (rather than the Partnerships) pay all of the ordinary administrative and overhead expenses incidental to managing, originating and monitoring investments, including employees' salaries, benefits, rent, equipment and administrative expenses incurred by the Management Entities or a General Partner. As is typical for private equity funds, the Partnerships likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

In certain circumstances, one Partnership is expected to pay an expense common to multiple Partnerships (including, without limitation, legal expenses for a transaction in which all such Partnerships participate, or other fees or expenses in connection with services the benefit of which are received by other Partnerships over time), and be reimbursed by the other Partnerships by their share of such expense, without interest. While the Advisers believe such circumstances to be highly unlikely, it is possible that one of the other Partnerships could default on its obligation to reimburse the paying Partnership. In certain circumstances, the Advisers may advance amounts related to the foregoing and receive reimbursement from the Partnerships to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Partnerships,

subject to the Advisers' related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Partnerships. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Partnership(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction (or co-investment transactions generally), such vehicle is expected to bear its share of such Broken Deal Expenses.

The Advisers and/or their affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Partnerships, on the one hand, and the Advisers and/or their affiliates on the other hand.

## **Operating Network**

Additionally, as further described herein, it is the Advisers' practice to retain certain operating executives to provide services to (or with respect to) certain current or prospective portfolio companies in which one or more of the Partnerships invest. Such operating executives generally provide services in relation to the identification, assessment, acquisition, holding, improvement and disposition of portfolio companies, including operational and strategic aspects of such companies. In certain circumstances, these services may also include serving in management, policy-making or oversight positions for portfolio companies. Operating executives receive compensation for their time and expenses in connection with services provided with respect to prospective portfolio company investments (whether or not such investments are consummated) as well as ongoing compensation, both cash and equity-based, for services provided to existing portfolio companies. Operating executives may also be offered the opportunity to invest in a portfolio company alongside a Partnership. In each case, such compensation typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating executives, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Compensation paid to operating executives in connection with portfolio company investments that are consummated, or related ongoing services provided to portfolio companies, will be paid or borne by the relevant portfolio company directly. No compensation paid to operating executives will offset the Management Fee. The use of operating executives subjects the Advisers to conflicts of interest, as discussed under "Methods of Analysis, Investment Strategies and Risk of Loss," below.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under "Fees and Compensation," the General Partners receive a carried interest allocation on certain realized profits in the Partnerships. Altaris also manages accounts

that are not charged performance-based compensation. This practice could present a conflict of interest because Altaris has an incentive to favor accounts for which it receives the highest performance-based compensation. Altaris seeks to address the potential for conflicts of interest in this area with allocation policies that provide that transactions and investment opportunities will be allocated to the Partnerships in accordance with each Partnership's investment guidelines and governing agreements, as well as other factors that do not include the amount of performance-based compensation received.

This existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Partnership than it would otherwise make in the absence of such arrangement, although the Advisers generally consider performance-based compensation to align their interests with those of the Partnerships' investors.

### **TYPES OF CLIENTS**

The Advisers provide investment advice to Private Investment Funds, including the Partnerships. Private Investment Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families, operating executives or other service providers retained by the Advisers.

The Partnerships may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Partnership.

Fund II and Fund III each has a minimum investment of \$10 million, and Fund IV has a minimum investment of \$20 million, for third-party investors, which may be waived in the applicable General Partner's discretion. Constellation and Constellation IV have a minimum investment of \$5 million, which may be waived in the General Partner's discretion. In most circumstances, investors in the Partnerships must meet certain suitability and net worth qualifications prior to making an investment. Generally, investors must be (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

The principal investment strategy of Altaris is to seek to achieve long-term capital appreciation, primarily by acquiring equity and equity-related securities and certain debt instruments in private healthcare companies. Investments are predominantly of non-public companies although investments in public companies are permitted, subject to certain restrictions in the applicable Partnership Agreement.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Partnerships. More detailed descriptions of the Partnerships' investment strategies and methods of analysis are included in the applicable Memorandum and Partnership Agreement for each Partnership. *There can be no assurance that the Advisers will achieve the investment objectives of any of the Partnerships, and a loss of investment is possible.*

### Investment and Operating Strategy

The Advisers seek to provide returns to investors by (i) using research and contacts to identify investments that the Advisers believe are attractive, (ii) performing rigorous analysis and due diligence to select and structure investments, and (iii) providing significant resources to portfolio companies.

*Identification of Investment Opportunities.* The Advisers seek investments for the Partnerships across the healthcare industry, and in particular, target healthcare businesses with one or more of the following attributes: (a) intellectual property-based product lines, (b) industry transforming business models, and (c) traditional value investing characteristics. The principals of the Advisers (the “**Principals**”) seek to leverage their relationships with large healthcare corporations and hospital systems to source and structure attractive investment opportunities. They may also use their relationships with other private equity firms and may work with a wide variety of healthcare and strategic consultants, deal finders, investment bankers, lenders, lawyers and accountants that may serve as sources of investment opportunities.

*Rigorous Analysis and Diligence.* The Advisers believe that rigorous due diligence is critical to assessing investment opportunities. The Advisers' diligence process typically includes conducting meetings with the target company's management, analyzing the target company's sector within the healthcare industry and the target company itself. The analysis generally includes an analysis of the company's historical performance and a review of the company's actual performance versus budget. The Advisers develop financial models for the proposed investment based on projected financial results. Altaris' investment committee decides whether to accept or reject each proposed investment.

*Managing Investments.* The Partnerships' investments are expected to vary with respect to size, type of security, and use of leverage. The Advisers target both control and influential minority investments and may partner with other private equity firms, strategic investors, or the Partnerships' limited partners to consummate certain transactions. The Advisers intend to pursue

investments in which the Principals can exercise significant positive influence, typically through board representation. Additional involvement may include regular consultations with management, participating in corporate governance, assisting with the development of business and strategic plans, and identifying and recruiting top level management.

*Realization of Liquidity.* The Advisers seek to create value for the Partnerships through the careful formulation and evaluation of multiple exit options when making an investment. The Principals have significant experience conducting or advising in the sale of businesses to strategic or financial buyers as well as accessing public markets. Using their understanding of the dynamic nature of healthcare and its emerging trends, the Advisers seek to identify potential strategic buyers positioned to pay a premium valuation for the Partnerships' portfolio companies.

## **Risks of Investment**

Each Partnership and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Partnership are detailed in the applicable Partnership's Memorandum. In general, the investment risks applicable to each Partnership and the activities of its related Advisers include, but are not limited to:

*Business and Market Risks.* A Partnership's investment portfolio will include securities and/or other interests issued by privately-held companies, and operating results in a specified period will be difficult to predict. In addition, it is expected that a Partnership's investment portfolio will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources and may require substantial additional capital to support their operations or to finance expansion. It is expected that a Partnership's investment portfolio will also include securities issued by public companies, including formerly privately-held portfolio companies that have consummated IPOs during the Partnership's holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. The foregoing investments involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war, revolutions and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

*Limited Number and Concentration of Investments; Impact of Excuse or Exclusion.* A Partnership will make only a limited number of investments. There may be relatively few attractive investment opportunities at certain times during a Partnership's investment period and there can be no assurance that a Partnership will succeed in obtaining a sufficient number of such investment opportunities, that the investments ultimately acquired by a Partnership will achieve its return objectives or that a Partnership will be able to invest all of its available capital.

In addition, each Partnership intends to make all of its investments in various segments of the healthcare industry and, as a result, a Partnership's investment portfolio may become

highly concentrated such that the performance of a few holdings or healthcare industry segments may substantially affect its aggregate return. Concentrating in a single industry may involve risk greater than generally associated with diversified acquisition funds, including fluctuations in returns. Furthermore, to the extent that the capital raised is less than the targeted amount, a Partnership may invest in fewer portfolio companies and thus be less diversified.

Additionally, a limited partner's participation in a Partnership's investments may be limited by virtue of the applicable Adviser's right to exclude a limited partner from, or a limited partner's right to be excused from, participating in certain of a Partnership's investments as set forth in the applicable Partnership Agreement, thereby increasing the participation of other limited partners. As a consequence of one or more limited partners being excused or other factors limiting investments, the aggregate returns realized by the participating limited partners could be adversely affected in a material manner by the unfavorable performance of even one investment by a Partnership. The performance of one or more substantial investments may have a significant impact on the overall performance of a Partnership.

*Investment in Junior Securities.* The securities in which a Partnership will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Partnership's investment once made.

*Lack of Sufficient Investment Opportunities.* The business of identifying, completing, structuring and realizing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Partnership will never be fully invested if enough sufficiently attractive investments are not identified. The availability of investments generally will be subject to market conditions, including perceptions of the Advisers' ability to consummate transactions. In particular, in light of changes in such conditions, certain types of investments may not be available to a Partnership on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by the Advisers. Moreover, the Advisers expect competition among private equity firms to potentially increase. A Partnership may be competing for investments with many other private equity investors, as well as companies, governments, public equity market participants, individuals, financial institutions and other investors. Additional investment funds with similar objectives as a Partnership may be formed in the future by other unrelated parties. Further, there continues to be a significant amount of equity capital available for investment by such other investors. In such an environment, the sourcing and execution of transactions for a Partnership, whether on a proprietary basis or otherwise, becomes more challenging. To the extent that a Partnership encounters competition for investments, returns to limited partners may decrease. Additionally, a Partnership will incur bid, due diligence or other costs on investments that may not be successful. As a result, a Partnership may not recover all of its costs, which would adversely affect returns.

*Reliance on the Altaris Investment Professionals.* The success of a Partnership will depend in large part upon the skill and expertise of Altaris professionals. Limited partners will have no right to participate in the day-to-day operation of a Partnership, including investment, structuring and disposition decisions and decisions regarding the operation of portfolio companies. Although Altaris believes the success of a Partnership is not dependent upon any individual, there can be no assurance that any individual professional will continue to be associated with a Partnership. There can be no assurance that Altaris personnel will not be solicited by and join competitors or other

firms or that Altaris will be able to hire and retain any new personnel or add to its roster of investment professionals. In the event of the death, disability or departure of any of such individuals, the business and the performance of a Partnership may be adversely affected.

*Lack of Liquidity of Investments; Lack of Current Distributions.* Most of the investments to be made by a Partnership are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on the transfer, sale or other disposition of investments made by a Partnership. Dispositions of the investments of a Partnership may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Investments in publicly-traded companies held by a Partnership may also be subject to legal, contractual, practical or applicable company policy restrictions on transfers or sales, including the possibility that a Partnership will be in possession of material non-public information about the company and statutory volume limitations. In addition, the ability to exit an investment through the public markets (and the terms of such exit) will depend on market conditions, and particularly the market for public offerings.

A Partnership's investment program should be considered speculative, as there can be no assurance that the applicable Adviser's assessments of the short-term or long-term prospects of investments will generate a profit for limited partners. In view of the fact that a Partnership is only obligated to make distributions to the extent of distributable cash, if any, after taking into account reserves for future obligations, and may, subject to certain limitations set forth in the applicable Partnership Agreement, reinvest, rather than distribute, or otherwise recall certain proceeds from investments, if any, an investment in a Partnership is not suitable for prospective investors seeking current income for financial or tax planning purposes. In addition, there can be no assurance that a Partnership will have sufficient cash flow to permit it to make annual distributions in the amount necessary for the limited partners to pay all tax liabilities resulting from the limited partners' ownership of interests in the Partnership.

*Lack of Unilateral Control.* Even if it is the majority investor or the controlling shareholder in certain circumstances, a Partnership may not have unilateral control of all of its portfolio companies. In addition, a Partnership may make minority equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled or influenced by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of a Partnership or its limited partners or may be in a position to take action contrary to a Partnership's business, tax or other interests, and such Partnership may not be in a position to limit such contrary actions or otherwise protect the value of such Partnership's investment. When taking non-control positions, a Partnership will generally seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that a Partnership will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Investments in Public Companies.* A Partnership may invest in public companies (subject to restrictions set forth in the applicable Partnership Agreement) or take private portfolio companies public. Investments in public companies may subject a Partnership to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy,

greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of a Partnership to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, which may include Altaris personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

*Uncertainty of Financial Projections.* A Partnership may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments, with adjustments to such projections made by the applicable Adviser in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

*Borrowing; Portfolio Company Leverage.* A Partnership may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of a Partnership's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by a Partnership to the assets of such portfolio company in an insolvency event or proceeding. The use of leverage will result in costs to a Partnership that may not be covered by distributions made to a Partnership or appreciation of its investments.

The Partnerships are authorized to borrow funds, from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties, subject to certain limitations provided in the applicable Partnership Agreement. Such borrowing may be used, for among other purposes, to purchase portfolio investments as they become available in advance of the receipt of anticipated funds from capital contributions or otherwise when capital contributions are not available. As security for such borrowing, guarantees or other credit support, a Partnership may grant liens on any of its assets to the lender or other counterparty, which assets may not necessarily be limited to a single portfolio investment. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by a limited partner of the Partnership to such assets in an insolvency event or proceeding. In addition, to support borrowing, each Partnership and the applicable General Partner will have the right, at their option, to pledge all or a portion of uncalled capital commitments, deliver notices to limited partners demanding capital contributions and enforce all remedies pursuant to the applicable Partnership Agreement in accordance with the terms thereof against defaulting limited partners, and any account into which such capital contributions are made; provided, that no limited partner will be obligated to pledge its interest in a Partnership. Although borrowings by a Partnership may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than a Partnership's cost of funds.



*Hedging Policies/Risks.* In connection with certain portfolio investments, a Partnership may employ hedging techniques designed to reduce the risks of adverse movements in commodity prices, interest rates and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and costs. Therefore, while a Partnership may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates or currency exchange rates may result in a weaker overall performance for a Partnership than if it had not entered into such hedging transactions. Further, there may be circumstances where a Partnership elects not to employ hedging techniques. In such circumstances, the lack of a hedge may permit a Partnership to take advantage of favorable movements in commodity prices, interest rates and currency exchange rates but may expose a Partnership to risks of adverse commodity price, interest rate or currency exchange rate movements. A Partnership may incur costs related to hedging arrangements, which may be undertaken in exchange-traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Partnership to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Partnership to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the applicable General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Insufficient Capital for Follow-On Investments.* Following its initial investment in a portfolio company, a Partnership may have the opportunity to increase its investment in successful operations or may be asked to provide additional funds to such portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Partnership will make follow-on investments or that a Partnership will have sufficient available capital or capacity under any credit agreements to, or be permitted to, make such investments. Any decision not to make follow-on investments, or a Partnership’s inability to make them, may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure is permitted to be made, but cannot be made by a Partnership due to insufficient capital) by a Partnership due to insufficient capital, may result in missed opportunities for a Partnership, or may result in dilution of a Partnership’s investment.

*Non-U.S. Investments.* A Partnership may invest in the securities of issuers located outside of the U.S. Such non-U.S. securities, including certain securities issued in Canada, involve certain factors not typically associated with investing in U.S. securities, including, but not limited to, risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which a Partnership’s non-U.S. investments are denominated, and costs associated with conversion of investment capital and income from one currency into another and/or the repatriation of capital from such jurisdictions; (ii) inflation matters, including rapid fluctuations in inflation rates; (iii)

differences between the U.S. and many non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (iv) economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. In addition, laws and regulations of non-U.S. countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Non-U.S. countries also may impose taxes on a Partnership and/or the partners of a Partnership. The General Partners intend to analyze risks in the applicable non-U.S. countries before making such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks, including changes in regulations regarding non-U.S. ownership of assets or repatriation of funds or changes in taxation, will not adversely affect a Partnership, the limited partners or an investment by a Partnership.

*United Kingdom (“UK”) Exit from the European Union (the “EU”).* On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU (“Brexit”). After a number of iterations, the European Commission and the UK’s negotiators reached agreement on the terms of the UK’s withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.

The terms of UK’s exit from the EU are still uncertain, including UK’s access to the EU single market permitting the exchange of goods and services between the UK and the EU. The UK expects to agree a deal on a future relationship with the EU by the end of the transitional period but whether this is possible is subject to disagreement by leaders of certain EU member states.

The future application of EU-based legislation to the private fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Partnership and its investments, including the ability of a Partnership to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses, including Partnership portfolio companies. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

*Risks Arising from Dispositions of Investments.* In connection with the disposition of an investment in a portfolio company, a Partnership and its Adviser(s) may be required to make (and/or be responsible for another person’s or entity’s breach of) representations and warranties,

for example, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, or may be responsible as a selling stockholder for certain contents of disclosure documents under applicable securities laws. A Fund and its Adviser(s) may also be required to indemnify the purchasers of such investments or underwriters of any offering to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. The limited partners of a Partnership may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the applicable Partnership Agreement.

*Reliance on Portfolio Company Management.* The day-to-day operations of each portfolio company will be the responsibility of such portfolio company's management team. Although the Advisers will be responsible for monitoring the performance of each investment and each Partnership will seek to invest in companies operated by (or else put in place) strong management, there can be no assurance that a portfolio company's existing management team, or any successor team, will be able to operate such company in accordance with the a Partnership's expectations. In addition, a Partnership may not always be the controlling shareholder in a portfolio company or represent a majority of its board of directors, and thus may exert less influence than a controlling shareholder. Furthermore, the success of many health care companies is highly dependent on the experience, abilities and continued service of key executive officers and key scientific personnel. If these companies lose the service of any of these officers or key scientific personnel, their future success could be undermined. The success of many health care companies also depends upon their ability to attract and retain other highly qualified scientific, managerial, sales and manufacturing personnel and their ability to develop and maintain relationships with relevant members of the health care technology community. Competition for such personnel and relationships is intense and many of these companies compete with each other (and other companies and organizations) for such personnel and relationships. There is no certainty that any of these health care technology companies will be able to continue to attract and retain qualified personnel or develop and maintain relationships with relevant members of the health care technology community.

*Healthcare Industry Risks.* Healthcare and healthcare-related companies are generally subject to greater governmental regulation than most other industries at the U.S. state and federal levels, and internationally. In recent years, both local and national governmental budgets have come under pressure to reduce spending and control healthcare costs, which could both adversely affect regulatory processes and public funding available for healthcare products, services and facilities. In March 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or PPACA (collectively, the "**Health Care Reform Act**"). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While one intent of healthcare reform is to expand health insurance coverage to more individuals, it may also involve additional regulatory mandates and other measures designed to constrain medical costs, including coverage and reimbursement for healthcare services. The Health Care Reform Act has

had a significant impact on the healthcare sector in the U.S. and consequently has the ability to affect the companies within the healthcare industry. The ultimate effects of federal healthcare reform or any future legislation or regulation, or healthcare initiatives, if any, on the healthcare sector, whether implemented at the federal or state level, or internationally, cannot be predicted with certainty and such reform, legislation, regulation or initiatives, including the Health Care Reform Act, may adversely affect the performance of a Partnership's investments.

Changes in governmental policies may have a material effect on the demand for or costs of certain products and services. A healthcare or healthcare-related company must receive government approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and services to the marketplace, resulting in increased development costs, delayed cost recovery and loss of competitive advantage to the extent that rival companies have developed competing products or procedures, adversely affecting the company's revenues and profitability. Failure to obtain governmental approval of a key drug or device or other regulatory action could have a material adverse effect on the business of a portfolio company. Additionally, expansion of facilities by healthcare related providers is subject to "determinations of need" by the appropriate government authorities. This process not only increases the time and cost involved in these expansions, but also makes expansion plans uncertain, limiting the revenue and profitability growth potential of healthcare related facilities operators.

In both the U.S. and foreign markets, sales of a healthcare company's products and its success will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers, and other organizations. The levels of revenues and profitability of healthcare companies may be affected by the rising or falling costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, a limited product offering, industry innovation, changes in technologies and other market developments. The profitability of healthcare companies may also be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of health care. Significant uncertainty exists as to the reimbursement status of newly approved health care products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

Certain healthcare and healthcare-related companies depend on the exclusive rights or patents for the products they develop and distribute. Patents have a limited duration and, upon expiration, other companies may market substantially similar "generic" products that are typically sold at a lower price than the patented product, causing the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer. As a result, the expiration of patents may adversely affect the profitability of these companies.

Certain companies in which the Partnerships invest may only have a limited number of products under development. There can be no assurance that such products will be approved for marketing by the U.S. Food and Drug Administration or any foreign regulatory agency. Further, competition to these products may develop from other new and existing products. In either case,

if a company is dependent on these several products, the consequences of such failure could be devastating to the prospects of such company, which in turn could negatively affect the performance of a Partnership.

The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which the Partnerships invest.

The testing, manufacturing, marketing and sale of many of the products and technologies developed by health care companies inherently expose these companies to potential product liability risks. Many health care companies obtain limited product liability insurance, however there can be no assurance that a health care company will be able to maintain its product liability insurance on reasonable terms or that any product liability insurance obtained will provide adequate coverage against potential liabilities.

*Regulation and Enforcement; Litigation.* The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. A Partnership's portfolio companies may be subject to the antitrust and competition rules that apply in those countries or regions in which they do business. Failure to comply with those rules could expose the infringing company to sanctions or penalties including fines and civil damage actions. In some situations, private equity sponsors could be held jointly and severally liable for any sanctions or penalties imposed on a current or previously-owned portfolio company for breach of the applicable antitrust rules. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and be subject to U.S. Department of Justice investigation and civil and criminal prosecution resulting in fines. The Antitrust Division of the U.S. Department of Justice has previously issued information requests relating to private equity transactions among multiple fund sponsors and in 2014, several fund sponsors settled claims that they had conspired to not bid against each other on eight large "take-private" buyouts that occurred prior to the global financial crisis. There can be no assurance that the Fund will not be subject to third-party litigation and/or investigations involving consortium bids.

Additional regulation could also increase the risks of third-party litigation. The transactional nature of the business of a Partnership exposes the Partnership and/or its Advisers generally to this risk of third-party litigation. Altaris and its related affiliates have been subject, historically, to such litigation. Under the applicable Partnership Agreement, a Partnership will

generally be responsible for indemnifying the applicable General Partner, Management Entity and related parties for costs they may incur with respect to such litigation not covered by insurance.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Partnership and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Partnership and result in longer holding periods for investments and the inability of portfolio companies to enter into transactions such as acquisitions (strategic or otherwise). Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Partnership's portfolio companies.

Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Partnership.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across several of the world's largest economies — on global economic

conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to a Partnership. The extent of the impact on a Partnership and its portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of a Partnership to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Partnership intends to pursue, all of which could adversely affect a Partnership's ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of a Partnership, its portfolio companies, its general partner and Altaris may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Material Non-Public Information.* From time to time, the Advisers and their personnel may come into possession of material non-public information concerning specific companies, including as a result of certain of the Advisers' professionals serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the Advisers' flexibility to buy or sell securities issued by such companies. A Partnership's investment flexibility may be constrained as a consequence of the Advisers' inability to use such information for investment purposes. The Advisers have policies and procedures in place that are intended to prevent the misuse of material non-public information by personnel of the Advisers, although there can be no assurance that such misuse will never take place.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although a Partnership intends to manage its investments in a manner that will minimize any such exposure, a Partnership may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Partnership (or other 80%-owned portfolio companies of a Partnership) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of a Partnership and the companies in which a Partnership invests 80% or more of the equity.

*Valuation of Investments.* There is not expected to be an actively traded market for most of the securities owned by a Partnership and certain securities that are actively traded thereby may be subject to lock-ups, exchange/conversion restrictions and/or similar limitations making reference to actively traded securities without such limitations less appropriate than might otherwise be the case absent such limitations. When estimating fair value, the applicable Adviser will have discretion to, among other things, apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available or appropriate is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for or had there been no such limitations in respect of such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the Advisers may give rise to conflicts of interest, including in connection with determining the amount, type and timing of distributions including in respect of carried interest and the calculation of management fees.

*Cybersecurity Risks.* Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Information and technology systems of the Advisers and the Partnerships' portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The Advisers will seek to prevent and mitigate any such incidents, but there is no guarantee that they will be successful in such efforts. The failure of these systems for any reason could cause significant interruptions in the the Advisers', the Partnerships' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of a Partnership. Cyber threats and/or incidents could cause financial costs from the theft of a Partnership's assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage.



## Conflicts of Interest

The Advisers and their related entities engage in a broad range of advisory and non-advisory activities. The Advisers will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Partnerships in an appropriate manner, as required by the relevant Partnership Agreement, although the Partnerships and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Advisers conducting their activities, the interests of a Partnership may conflict with the interests of the Advisers, one or more other Partnerships, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, the Advisers will determine all matters relating to structuring transactions and Partnership operations using their best judgment considering all factors they deem relevant, but in their sole discretion, subject in certain cases to required approvals by the advisory committee(s) of limited partners (each, an “**LP Committee**”) of the participating Partnership(s).

During the Investment Period of each of the Partnerships, the Principals pursue all appropriate investment opportunities through such Partnerships, to the extent such opportunities fit within such Partnership’s investment guidelines and subject to certain exceptions, as described in the applicable Partnership Agreement. However, the Principals currently manage, and expect in the future to manage, several other Private Investment Funds (including certain committed co-investment vehicles that invest, or are expected to invest, alongside a Partnership) and investments similar to those in which the Partnerships invest, and may, to the extent not limited by the relevant Partnership Agreement(s), direct certain relevant investment opportunities to those Private Investment Funds and investments rather than to the Partnerships. The Principals and the Advisers’ investment staff will continue to manage and monitor such Private Investment Funds and investments until their realization. The significant investment of the Principals in each of the Partnerships, as well as the Principals’ interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the limited partners in the Partnerships, although the Principals have economic interests in such other Private Investment Funds and investments as well and receive management fees and carried interest relating to such interests. Such other Private Investment Funds and investments that the Principals control or manage may potentially compete with the Partnerships or companies acquired by the Partnerships. Following the Investment Period of the Partnerships, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Partnerships’ investments.

From time to time, the Principals will be presented with investment opportunities that would be suitable not only for a Partnership, but also for other Private Investment Funds and other investment vehicles operated by the Advisers or their advisory affiliates. In determining which investment vehicles should participate in such investment opportunities, the Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of an Adviser in a portfolio company may also raise the risk of using assets of a client of such Adviser to support positions taken by other clients of the Advisers.

The Advisers must first determine which Partnership(s) will, or are required to, participate in the relevant investment opportunity. The Advisers generally assesses whether an investment opportunity is appropriate for a particular Partnership based on the applicable Partnership

Agreement, as well as factors including but not limited to: allocation, conflicts, and other related provisions in the relevant Partnership Agreement(s), investment and operating guidelines, diversification and position guidelines and limitations (including the potential for follow-on investments), legal, tax, regulatory and accounting considerations, minimum dollar limits and other relevant factors, including risk (the “**Allocation Factors**”). For example, a newly organized Partnership generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Partnership may invest together with other Partnerships advised by an affiliated adviser of the Advisers in the manner set forth in the relevant Partnership Agreements and the Advisers’ Investment Allocations / Co-Investment Policy. The Advisers will determine the allocation of investment opportunities among Partnerships in a manner that it believes is fair and equitable consistent with the Advisers’ obligations and may take into consideration factors such as the Allocation Factors set forth above.

Following such determination of allocation among the applicable Partnerships, the Advisers will determine if the amount of an investment opportunity in which one or more Partnerships will invest exceeds the amount that would be appropriate for such Partnership(s) and any such excess may be offered to any committed co-investment vehicle that invests alongside the applicable Partnership(s). The Advisers’ procedures permit it to take into account a variety of factors in making such determinations, including but not limited to: the total capital then available to the applicable Partnership and such committed co-investment vehicle (after taking into account amounts reserved for (i) payment of expenses through the remainder of the term of the relevant Partnership and such committed co-investment vehicle, as applicable, (ii) funding of follow-on investments and refinancing of any outstanding bridge investments of the relevant Partnership and such committed co-investment vehicle, as applicable, and (iii) funding obligations in respect of any written commitments of the relevant Partnership and such committed co-investment vehicle, as applicable), the size of the transaction, portfolio diversification (which, for the avoidance of doubt, shall not be based solely on the maximum amount that may be invested by the relevant Partnership or such committed co-investment vehicle, as applicable, in the applicable investment opportunity), investment guidelines, risk allocation, contractual prohibitions, the anticipated need and amount of any follow-on investment in respect of such investment opportunity and any of the above named Allocation Factors or similar considerations deemed relevant by the Adviser.

To the extent the applicable Partnership and/or any committed co-investment vehicle that invests alongside such Partnership do not fully subscribe to an investment opportunity, the Advisers will determine if such excess amount may be offered to one or more potential co-investors, including third parties, as determined by the relevant Partnership Agreements, Side Letters and the Advisers’ Investment Allocations / Co-Investment Policy. The Advisers’ procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to the above-named Allocation Factors.

When and to the extent that employees and related persons of an Adviser and its affiliates make capital investments in or alongside certain Partnerships, such Adviser and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Partnership’s return from a transaction would be equal to and not less than another Partnership participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Advisers' allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While the Advisers will allocate investment opportunities in a manner that they believe in good faith to be fair and equitable to their clients under the circumstances over time and considering relevant factors, there can be no assurance that a Partnership's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Advisers may be subject, discussed herein, did not exist.

In certain cases, the Advisers will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Partnership. In such cases, the Advisers will not receive compensation for identifying such transferees, and will use their discretion to select such transferees, if any, based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in their sole discretion whether to purchase the interests being transferred or whether the opportunity to receive a transfer of interests in a given Partnership should be offered to one or more existing investors in that Partnership.

Conflicts may arise when a Partnership makes investments in conjunction with an investment being made by another Private Investment Fund, or if it were to invest in the securities of a company in which another Private Investment Fund has already made an investment. A Partnership may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Private Investment Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Partnership and the other Private Investment Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Advisers and their affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Partnership's investments will be the same as the returns obtained by other Private Investment Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Private Investment Funds. In that regard, actions may be taken for one or more Private Investment Funds that adversely affect other Private Investment Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements, the Advisers will allocate fees and expenses in a manner that they believe in good faith to be fair and equitable to clients under the circumstances and considering such factors as they deem relevant, but in their sole discretion. In exercising such discretion, the Advisers may be faced with a variety of potential conflicts of interest.

As a general matter, Partnership expenses typically will be allocated among all relevant Private Investment Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by the Advisers or their affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of

discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Partnerships may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Partnerships bearing different levels of expenses with respect to the same investment.

As a result of the Partnerships' controlling interests in portfolio companies, the Advisers and/or their affiliates typically have the right to appoint board members (including current or former Altaris personnel or persons serving at their request) to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Advisers and/or their affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Partnership to an Adviser.

Additionally, a portfolio company typically will reimburse the Advisers or service providers retained at an Adviser's discretion for expenses (including without limitation travel expenses) incurred by the relevant Adviser or such service providers in connection with its performance of services for such portfolio company. This subjects the Advisers and their affiliates to conflicts of interest because the Partnerships generally do not have an interest or share in these reimbursements, and the amount of such reimbursements is expected to be substantial over time. The Advisers determine the amount of these reimbursements for such services in their own discretion, subject to internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Partnership, their effect is reflected in each Partnership's audited financial statements.

The Advisers generally exercise their discretion to recommend to a Partnership or to a portfolio company thereof that it contract for services with (i) the Advisers or a related person of the Advisers (which may include a portfolio company of a Partnership), (ii) an entity with which the Advisers or their affiliates or current or former members of their personnel has a relationship or from which the Advisers or their affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, the Advisers may be presented with opportunities to receive financing and/or other services in connection with a Partnership's investments from certain limited partners or their affiliates that are engaged in lending or related businesses. This subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with their operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, the Advisers may have an incentive to recommend the related or other person because of their financial or other business interest. There is a possibility that the Advisers, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnership(s) or Adviser(s)), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Because the Partnerships intend to invest only in portfolio companies within the healthcare industry, the potential conflicts of interest described in this paragraph are more likely to arise than if the Partnerships employed a more diversified investment strategy. Whether or not the Advisers have a relationship or receive financial or other benefit from recommending a particular service provider, there can be no

assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, from time to time the Advisers may cause a Partnership to enter into a transaction whereby the Partnership purchases securities from, or sells securities to, other Partnerships managed by the Advisers, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Partnership is acquired by a portfolio company acquired by another Partnership. Any such transactions raise potential conflicts of interest, including where the investment of one Partnership supports the value of portfolio companies owned by another Partnership. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. The Advisers intend that any such transactions be conducted in a manner that they believe in good faith to be fair and equitable to each Partnership under the circumstances, including a consideration of the potential present and future benefits with respect to each Partnership.

Although the Advisers generally structure Partnerships to avoid cross-guarantees and other circumstances in which one Partnership bears liability for all or part of the obligations of another Partnership, in certain circumstances lenders and other market parties negotiate for the right to face only select Partnership entities, which may result in a single Partnership being solely liable for other Partnerships' share of the relevant obligation and/or joint and several liability among Partnerships. In each such case, the Advisers intend to cause each relevant other Partnership to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Partnership undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

The Advisers and/or their affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Partnerships or other investment vehicles advised by the Advisers and/or their affiliates; conversely, current or former personnel or executives of the Advisers and/or their affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Advisers. Similarly, the Advisers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Advisers and/or their affiliates, and/or the Partnerships or other investment vehicles they advise. The Advisers may have a conflict of interest with a Partnership in recommending the retention or continuation of a third-party service provider to such Partnership or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Partnerships, will provide the Advisers information about markets and industries in which the Advisers operate (or is contemplating operations) or will provide other services that are

beneficial to the Advisers. The Advisers may have a conflict of interest in making such recommendations, in that the Advisers have an incentive to maintain goodwill between them and the existing and prospective portfolio companies for a Partnership, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Partnership.

The Advisers, their affiliates, and equity holders, officers, principals and employees of the Advisers and their affiliates may buy or sell securities or other instruments that an Adviser has recommended to a Partnership. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Partnership. Such transactions are subject to any restrictions in the applicable Partnership Agreement and any policies and procedures set forth in Altaris' Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Partnership. Employees and related persons of the Advisers have, and are expected to continue to have, capital investments in or alongside certain Partnerships, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Partnership and/or its portfolio companies or, if incurred by an Adviser, are reimbursed by a Partnership and/or its portfolio companies, the Advisers will not necessarily seek out the lowest cost options when incurring (or causing a Partnership or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies (and, to a lesser extent, the Partnerships) typically pay certain fees to operating executives and other consultants (including consultants introduced or arranged by the Advisers and/or their affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee, as described herein. Operating executives may make use of the Advisers resources or otherwise may be associated with the Advisers. Operating executives receive compensation for their time and expenses in connection with services provided with respect to prospective portfolio company investments (whether or not such investments are consummated) as well as ongoing compensation, both cash and equity-based, for services provided to existing portfolio companies. Operating executives may also be offered the opportunity to invest in a portfolio company alongside a Partnership. In each case, such compensation will be determined by the Advisers using reasonable judgment based on the fair market value of the services provided. Compensation paid to operating executives in connection with portfolio company investments that are consummated, or related ongoing services provided to portfolio companies, will be paid or borne by the relevant portfolio company directly. No compensation paid to operating executives will offset the Management Fee. Although the use of operating executives and the allocation of compensation paid to them by the Partnerships and/or the portfolio companies subjects the Advisers and/or their affiliates to potential conflicts of interest, the Advisers believe that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Partnership(s)) that will result if the cost of the operating executive is lower than market rates for the services provided and/or if the services of the operating executive align with the relevant Adviser's model for the portfolio company and improve portfolio company performance. Although the Advisers seek to retain operating executives with a view to reducing costs to portfolio companies (and, ultimately, the Partnerships) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. The Advisers also

seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Partnerships' limited partners, and seek to retain only operating executives and service providers which they believe provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for an Adviser to cause a Partnership to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Partnership may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Partnership, based upon capital invested by such Partnership, this fee structure may create an incentive to deploy capital when Altaris may not otherwise have done so.

The Advisers may enter into Side Letters with certain investors in a Partnership providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects the Advisers and/or their affiliates to potential conflicts of interest. The Advisers and their affiliates attempt to resolve such conflicts of interest in light of their obligations to investors in the Partnerships and obligations owed by the Advisers to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a Partnership and the other Partnerships in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Advisers will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Advisers consult and receive consent to conflicts from the applicable LP Committee(s) and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Altaris and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Management Company is affiliated with other Altaris investment advisers registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The Management Entities provide advisory services to the General Partners and other Altaris entities pursuant to management agreements. These entities operate as a single advisory business together with the Management Company and serve as managers or general partners of Private Investment Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted the Altaris Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Advisers’ Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers’ personnel to:

- report their personal securities transactions;
- pre-clear from directly or indirectly acquiring beneficial ownership or disposing of any securities in a specific sector or industry or securities in an initial public offering or limited offering; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to Altaris’ Chief Compliance Officer at (212) 931-0250. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client-eligible investments.

The Advisers and their affiliated persons (as defined below) may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material non-public or other confidential information with respect to any public or non-public company, the Advisers generally would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Altaris personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Partnerships.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Partnership.

Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”



The Advisers and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Partnerships, and may give advice and recommend securities to other accounts or certain Partnerships or vehicles which may differ from advice given to, or securities recommended or bought for, other Partnerships or vehicles, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Partnerships may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Partnerships or may give priority with respect to investments to such Partnerships.

The Advisers or their affiliates may recommend the purchase or sale of securities for Private Investment Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates (“**affiliated persons**”), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Partnerships. Certain of these transactions may require the consent of the applicable Partnership.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Partnership or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Advisers purchase or sell publicly traded securities for a Partnership, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them,

although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

## **REVIEW OF ACCOUNTS**

The investments made by the Partnerships are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Partnerships invest, and the Altaris Chief Compliance Officer periodically checks to confirm that the investments of each Partnership are maintained in accordance with its stated objectives.

The Partnerships will provide to their limited partners (i) annual GAAP audited and quarterly unaudited financial statements and (ii) annual federal income tax information necessary for each limited partner’s tax return. Each Partnership expects to hold an annual meeting of limited partners to review and discuss the Partnership’s investment activities.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and/or their affiliates may provide certain business or consulting services to companies in the Partnerships’ portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Partnerships. However, in other cases (e.g., reimbursements for out of pocket expenses directly

related to a portfolio company), these fees would be in addition to Management Fees. See “Fees and Compensation.”

From time to time, the Advisers may enter into solicitation arrangements pursuant to which the Advisers compensate persons for client referrals that result in a potential investor becoming a limited partner in a Partnership. Any fees payable to such placement agents will be borne by the Advisers indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Partnership(s).

### **CUSTODY**

The Advisers maintain custody of the Partnerships’ assets held in the Partnerships’ names with JP Morgan Chase, a qualified custodian located at 270 Park Avenue, 19th Floor, New York, NY 10017. Further, for each of the Partnerships, the Advisers have historically complied and intend to continue to comply with the private fund audit requirements as provided in Rule 206(4)-2(b)(4) under the Advisers Act.

### **AUDIT**

The Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and, in accordance with Rule 206(4)-2 under the Advisers Act, will be distributed within 120 days of each Fund’s fiscal year-end.

### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of each applicable Partnership. As a general policy, the Advisers do not allow clients to place limitations on this authority, provided that the Partnership Agreement of a Partnership may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner’s investment in the Partnership may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this discretionary authority pursuant to the terms of (i) the Partnership Agreement, (ii) the investment management agreement between each Partnership, the applicable General Partner and the Management Company and (iii) powers of attorney executed by the limited partners of each Partnership.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted the Altaris Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Partnerships’ portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar

instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Partnerships' investors through the principals' beneficial ownership interests in the Partnerships and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of a LP Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Altaris personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Partnerships. Clients or investors that would like a copy of the Altaris' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies may contact Altaris' Chief Compliance Officer at (212) 931-0242, and it will be provided at no charge.

#### **FINANCIAL INFORMATION**

The Management Company does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.