

# **SCGE Management, L.P.**

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Part 2A of Form ADV: Firm Brochure  
March 27, 2020

**This brochure (“Brochure”) provides information about the qualifications and business practices of SCGE Management, L.P., a Delaware limited partnership (“SCGE”). If you have any questions about the contents of this Brochure, please contact us at (650) 854-3927. 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 securities authority.**

**Additional information about SCGE is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Since the last Form ADV update on March 29, 2019, Item 7 and Item 8 have been amended to reflect changes to fund terms. There are no other material updates to this Brochure.

### Item 3. Table of Contents

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#### **Item 4. Advisory Business**

For purposes of this Brochure, the “Adviser” means SCGE together (where the context permits) with SCGE (LTGP), L.P. (“SCGE (LTGP)”). SCGE (LTGP) is under common control with SCGE. Personnel providing services to the Funds (as defined below) on behalf of either SCGE or SCGE (LTGP) are deemed to be acting on behalf of SCGE for purposes of this Brochure. SCGE (LTGP) serves as the general partner of the Funds. The principal owners of the Adviser are OSF - A Global Apportionment, L.P., a Cayman Islands limited partnership, Patrick Fu and Jeffrey Wang, each “Managing Partners” of the Adviser. The Adviser has been in business since September 2009.

As of the date of this Brochure, the Adviser provides investment advisory services to SCGE Fund, L.P. (the “Main Fund”), a private investment fund that is a “master fund” in a “master-feeder” fund structure, and its two “feeder” funds, SCGE Offshore Fund, L.P. and SCGE Onshore Fund, L.P. (the “Feeder Funds,” and together with the Main Fund, the “Funds”). The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Investors in the Funds should review the Funds’ offering and organizational materials for detailed information regarding the issues discussed herein.

The Main Fund primarily invests in publicly traded equity securities. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser provides investment advisory services to the Funds pursuant to an investment management agreement among the Adviser, SCGE (LTGP) and the Funds (the “Advisory Agreement”).

Investment advice is provided directly to the Funds, subject to the discretion and control of SCGE (LTGP), and not individually to the investors in the Funds. Investment restrictions for the Funds, if any, are generally established in the partnership agreements or offering documents of the applicable Fund.

As of December 31, 2019, the Adviser manages a total of \$3,035,218,895 of client assets, all of which is managed on a discretionary basis.

The Adviser does not participate in wrap fee programs.

#### **Item 5. Fees and Compensation**

As compensation for investment advisory services rendered to the Funds, the Adviser will be entitled to receive an advisory fee (the “Advisory Fee”), payable quarterly in advance as of the first day of each calendar quarter. The Advisory Fee will be debited from the capital accounts of

the Main Fund, based on the capital account balance of each investor (including its “Special Investment Sub-Account”<sup>1</sup> balance) in the Main Fund as of such date (after taking into account any credits to or debits from the capital account on such date, including in respect of any Special Investment Sub-Account, or any contributions, distributions or withdrawals, but before giving effect to any debits from such capital account that relate to the Advisory Fee to be paid on such date) shall be debited against the investors’ capital accounts. A prorated Advisory Fee will be assessed on any capital contributions accepted as of any date other than the first business day of a calendar quarter. If all or any portion of the capital account of an investor is withdrawn as of a date that is not the end of a calendar quarter, then the Adviser shall rebate to such investor a portion of the Advisory Fee, with respect to such portion of that capital account that is withdrawn, based on the number of days remaining in the calendar quarter.

SCGE (LTGP) may in its sole discretion waive all or any portion of the Advisory Fee with respect to certain investors, including investors who are employees or related persons of the Adviser. Prior to the date on which such Advisory Fee would otherwise be payable, the Adviser may also reduce any portion of the Advisory Fee payable with respect to an investor on such terms as the Adviser may determine in its sole discretion. The fee structures described above may be modified from time to time. Fees may differ among investors in the Funds.

If the Main Fund invests directly in a fund, or other collective investment vehicle, managed or advised by an affiliate of the Adviser, or affiliate of Sequoia Capital<sup>2</sup> (a “Sequoia Affiliated Fund”), then (i) SCGE (LTGP) will waive all or part of that portion of the Advisory Fee that would be payable with respect to the portion of the Main Fund invested in such Sequoia Affiliated Fund and/or (ii) such Sequoia Affiliated Fund will waive all or part of the management fee that would be payable by the Main Fund with respect to its investment in such Sequoia Affiliated Fund, so that there will be no duplication of such fees.

Except as set forth below, expenses of the Funds will not include the normal operating expenses of the Adviser and its equity holders (including compensation and benefits provided to employees of the Adviser; rent, administrative and other overhead charges and costs of any office maintained by the Adviser and travel, lodging and related costs incurred by its employees).

Expenses to be borne by the respective Funds will include the following costs and expenses: (i) costs and expenses incidental to the Funds’ formation, ongoing operation, dissolution, winding-up or termination; (ii) fees, costs and expenses associated with the offering and selling of interests in the Fund and communicating with investors; (iii) regulatory filings; (iv) income taxes and other

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<sup>1</sup> Special investments are securities that SCGE (LTGP) believes bear a significant risk of illiquidity, lack a readily ascertainable market value or should be held until the resolution of a special event or circumstance (“Special Investments”). Each Special Investment will be held in a separate “side pocket” at the Main Fund (a “Special Investment Account”). SCGE (LTGP) will maintain a separate “side pocket” account for each Special Investment as a sub-account of the capital account that reflects the entitlement of each partner to allocations and distributions with respect to any such special investment (a “Special Investment Sub-Account”).

<sup>2</sup> The Adviser is associated with a collection of private investment funds, “general partner” entities and “back office” entities that generally utilize the “Sequoia Capital” brand name and often are referred to colloquially as “Sequoia Capital.” Sequoia Capital is known primarily as a venture capital firm, but its activities extend beyond traditional notions of venture capital to include growth and endowment style investing. The Adviser operates independently from other Sequoia Capital entities.

taxes; (v) trading costs and expenses; (vi) interest and commitment fees on loans and debit balances, if any, on margin or otherwise; (vii) costs and expenses of negotiating and entering into contracts relating to making investments and similar costs and expenses related to terminating those contracts and disposing of investments; (viii) registration of restricted securities; (ix) proxy research and voting services; (x) fees and reimbursable expenses of the Fund's administrator; (xi) fees and charges associated with custodians, clearing agencies and banks; (xii) bookkeeping, recordkeeping, legal, accounting, auditing and tax preparation fees, charges, and expenses and all professional and consulting fees and expenses relating to services rendered to the Funds, Adviser and its officers and partners; (xiii) insurance policies that the Adviser or SCGE (LTGP) considers appropriate; (xiv) costs and fees associated with agreements for quotation services and related computer hardware and software offered by Bloomberg L.P. (except for costs and fees relating to the finance and trade operations employees of the Adviser, which are borne by the Adviser); (xv) costs and fees associated with risk and portfolio analytics tools, including Alpha Theory LLC and Novus Partners, Inc.; (xvi) costs and fees associated with data providers; (xvii) costs and fees associated with research activities (excluding translation services and financial model services, which are borne by the Adviser); (xviii) research conference fees (excluding travel, lodging and per diem expenses, which are borne by the Adviser); (xvix) contingencies for which SCGE (LTGP) determines reserves are required; and (xx) any extraordinary expenses such as litigation expenses. Each Feeder Fund will also bear its proportionate share of the organizational and operating expenses of the Main Fund. As applicable, each Fund will reimburse the Adviser for any such Fund expenses incurred by the Adviser, and SCGE (LTGP) may, in its sole and absolute discretion, assign to the Adviser the right to receive reimbursements otherwise payable to SCGE (LTGP) under the Fund's partnership agreement. The Adviser is authorized to deduct any and all fees or expenses when due from the assets of the Fund.

Expenses that would otherwise be payable by the Adviser may be reduced through the use of "soft" or commission dollars, as discussed in Item 12 below.

The Adviser and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

Please see Item 6 below regarding the performance allocation that the Funds may pay.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

SCGE (LTGP), an affiliate of the Adviser, will be entitled to a performance allocation (the "Performance Allocation") with respect to each investor in the Funds of a percentage as may be agreed to, from time to time, by the investor and SCGE (LTGP) of the net increase in value of the investor's capital account over a three-year period. SCGE (LTGP) may, in its sole discretion, reduce or waive the Performance Allocation with respect to certain investors, including investors that are related persons of SCGE (LTGP). The Performance Allocation will be allocated from capital accounts as of the last day of each three-year performance allocation period, subject to certain exceptions as disclosed in the applicable Fund's partnership agreement. Special Investments will be taken into account for the purposes of calculating the Performance Allocation in accordance with the terms of the applicable Fund's partnership agreement.

If the Main Fund invests directly in a Sequoia Affiliated Fund, then (i) SCGE (LTGP) will waive all or part of that portion of the Performance Allocation that would otherwise be allocated with respect to that portion of the Main Fund profits attributable to the investment in such Sequoia Affiliated Fund and/or (ii) such Sequoia Affiliated Fund will waive all or part of the performance allocation (or other similar fee) attributable to the Main Fund's investment in such Sequoia Affiliated Fund, so that there will be no duplication of such Performance Allocation or fees.

## **Item 7. Types of Clients**

The Adviser currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the discretion and control of SCGE (LTGP), and not individually to investors in the Funds.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. In general, interests in the Funds are offered only to persons that are (i) "accredited investors," as defined in Regulation D under the Securities Act (if such persons are United States persons or in the United States) and (ii) "qualified purchasers" (as defined in the 1940 Act) and that meet other qualifications established by SCGE (LTGP), and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The minimum capital commitment for an investor in the Funds is \$10 million and any additional subscription must be at least \$100,000, in each case subject to waiver by SCGE (LTGP) in its sole discretion.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

#### **Investment Strategy**

The Main Fund will invest primarily in publicly traded equity securities of companies in the technology, media and telecommunications ("TMT") sectors. In addition to broader TMT, the Main Fund also invests in other sectors, including energy/cleantech, financial technology, information services and technology-enabled consumer businesses. The Main Fund's investments span from late-stage private companies to public companies.

The investment strategy for the Main Fund is based on both thematic and fundamental, bottom-up research of businesses and industries. The Adviser seeks to identify technology innovation themes that create opportunity for significant business value creation or destruction. Independently of Sequoia Capital, the Adviser prioritizes specific themes and companies exposed to those themes.

#### ***Long Positions***

The Main Fund's long positions will primarily be securities issued by companies that the Adviser believes fall into one of the following categories: (i) growth companies capitalizing on rapidly expanding markets in which the company's competitive position provides it the opportunity to

earn high returns on capital for an extended period of time; or (ii) stable or slower growth businesses with strong competitive positions that are undergoing changes due to management or industry structure that should enhance the position of the business.

The Main Fund is not expected to own securities issued by companies with businesses that are entirely cyclical, commodity-driven or do not readily lend themselves to in-depth analysis. The Main Fund expects to invest in long positions that the Adviser believes would be appropriately held for three or more years and expects to target securities that have the potential for an internal rate of return of 25% or more, but may pursue long positions that have a potential for an internal rate of return of less than 25% in certain circumstances.

### *Short Positions*

The Main Fund initiates short positions primarily to generate a positive absolute return and does not seek to manage short-term market volatility. Short positions are primarily short sales of individual securities or small baskets of securities tethered to a unifying theme. The Main Fund's short positions mainly will be in securities issued by companies that the Adviser believes fall into one or more of the following categories: (i) single product companies or companies with significant customer concentration (such companies often enjoy periods of significant growth and excitement but struggle to replicate their economics and success with other products or customers); (ii) companies exposed to a discontinuous change in industry structure, technology or product lifecycle that will lead to significant competitive/economic challenges; and (iii) business models with questionable economics in which a company is unlikely to earn its cost of capital over an economic cycle.

The Adviser focuses on changing circumstances (illiquidity events, earnings misses, signs of meaningful deterioration in fundamentals or competitive positioning) that force investors to reassess the underlying intrinsic value of the business. The Adviser will primarily target short positions in securities when it expects that the securities sold short have the opportunity to decline in value by 25% or more from the time the short sale is initiated.

### *Leverage*

The Adviser intends to keep leverage low in the portfolio, with a range for gross exposure between 100% and 150% (excluding Special Investments). The use of leverage will principally be influenced by portfolio concentration; the higher the concentration of individual securities, the lower the leverage to be deployed. The Funds leverage their portfolios through traditional means (such as by borrowing money through margin accounts, lines of credit with banks or other lending arrangements on a secured or unsecured basis). The Adviser also employs certain other financial techniques and trading strategies that do not involve borrowing money through such traditional means but that would nonetheless have the economic effect of leveraging the Funds' portfolios.

### Portfolio Construction

The Adviser seeks to manage risk by focusing on individual security selection. The Adviser will seek to develop a relatively concentrated portfolio for the Main Fund, which provides an opportunity for the Adviser's research advantage to contribute to long-term returns. The Main



Fund will typically hold 10–20 long investments in public equity securities and 10–25 short investments, although the number of positions it holds may be outside of these ranges at any time.

Exposure to individual regions and sectors is monitored but is not decided on a top-down basis; rather, sector and geographic exposure is the result of bottom-up stock picking. The Adviser's risk management will screen and monitor for significant one-way exposures in individual geographies or industries.

Members of the Adviser's investment team are primarily focused on public company securities, though the Main Fund may invest from time to time in private investments. Special Investments generally are not expected to exceed 30% of the total value of the Main Fund that is attributable to investors that have not opted out of the Main Fund's Special Investments, measured at the time a Special Investment is made or designated and based on the investment cost of each Special Investment and the fair value of all other investments held by the Main Fund. While it is expected that Special Investments will not exceed 30% of the total value of the Main Fund that is attributable to investors that have not opted out of the Main Fund's Special Investments, no guarantee can be made that Special Investments will not exceed such 30% target. Special Investments may be allocated to Special Investment Accounts at the Main Fund in the discretion of SCGE (LTGP). Each investor, at the time of such investor's initial subscription to a Fund, may choose not to participate in Special Investments. An investor may change its election to participate in Special Investments with the consent of SCGE (LTGP) (which consent may be withheld for any reason in its sole discretion) and in accordance with SCGE (LTGP)'s procedures as may be established from time to time.

The Main Fund may invest in short-term instruments for cash management purposes including, when the Adviser deems appropriate, for defensive purposes. The Adviser may, but is not obligated to, hedge currency risk in the portfolio of the Main Fund through the use of forwards, swaps and other financial instruments.

## **Risks**

Investing in securities involves a substantial degree of risk. The Funds may lose all or a substantial portion of its investments and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

*Risk of Loss of Capital.* The performance of securities in which the Main Fund invests, and therefore the value of the Funds, will be subject to many factors over which the Funds may have limited or no control. The possibility of loss of the Funds' capital, including the complete loss of capital, will exist, and investors should not invest in the Funds unless they can bear the consequences of such loss.

*General Economic and Market Conditions.* General economic or market conditions may adversely affect the investments made by the Main Fund, and therefore the Feeder Funds. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect the Funds' investment programs or the Adviser's ability to do business. In addition, a downturn or contraction in the economy, in the capital markets or in

certain industries or geographic regions thereof, may restrict the availability of suitable investment opportunities for the Main Fund and/or the opportunity to liquidate any such investments, each of which could prevent the Funds from meeting their investment objectives. A general economic downturn could also result in the diminution or loss of the investments made by the Main Fund. In addition to the effects on the Main Fund's investment portfolio, market conditions could also result in an increase in the number of withdrawal requests from investors.

*Lack of Diversification.* A relatively high percentage of the Main Fund's assets may be invested in the securities of a limited number of issuers. Investing a significant portion of the Main Fund's assets in a limited number of issuers, industries or geographic regions makes the Funds significantly more susceptible to risks affecting investments in such issuers, industries or geographic regions. As such, the Main Fund's portfolio securities may be more susceptible to any single economic, political or regulatory occurrence than the portfolio securities of a diversified investment company. Such concentration of investments will increase the volatility of the Main Fund's portfolio investments. The Adviser may decide to concentrate a significant portion of the Main Fund's investments in a single market sector or geographic region, in which case the risks and volatility described above would be greater.

*Equity Securities Risk.* The value of equity securities will rise and fall in response to the activities of the company that issued the securities, general market conditions and/or specific economic or political conditions. In the short-term, equity prices can fluctuate dramatically in response to developments. Different parts of the market and different types of equity securities can react differently to developments. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region or the market as a whole.

*Short Sales.* A significant aspect of the Main Fund's investment strategy involves entering into short sale positions, both directly and indirectly through the use of options and other derivative instruments. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Main Fund engages in short sales will depend upon the Adviser's opportunities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Main Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Main Fund can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Leverage; Interest Rates.* The Adviser expects to utilize leverage, on a moderate basis, on behalf of the Funds in order to increase investment positions or to make additional investments. Risk of loss and the magnitude of possible gains are both generally increased by the use of leverage. Fluctuations in the market value of the Funds' portfolios will have a greater effect relative to the Funds' capital than would be the case in the absence of leverage. Adverse market fluctuations, in the case of margin borrowings, may require the untimely liquidation of one or more investment

positions. Interest costs of borrowings are an expense of the Funds and therefore both borrowing levels and fluctuations in interest rates may affect the operating results of the Funds. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost in the event of a decline in the market value of such securities. The amount of the Funds' borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on the Funds' profitability.

*Special Investments.* The Main Fund will invest part of its assets in Special Investments. The Main Fund may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified or indefinite period of time. Such investments and other assets and liabilities for which no market prices are available will generally be carried on the books of the Funds at fair value, determined in accordance with the valuation provisions set forth in their respective partnership agreements. There is no guarantee that such fair value will represent the value that will be realized by the Main Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing investor may not, except as otherwise permitted or required by SCGE (LTGP), withdraw any portion of its Special Investment Sub-Account until and to the extent that the Special Investments to which the Special Investment Sub-Account relates are realized or deemed realized. While Special Investments generally are not expected to exceed 30% of the total value of the Main Fund that is attributable to investors that have not opted out of Special Investments, measured at the time a Special Investment is made or designated (based on the investment cost of each Special Investment and the fair value of all other investments of the Main Fund), no guarantee can be made that Special Investments will not exceed such 30% limitation. Further, even if the aggregate amount of Special Investments held by the Main Fund does not exceed such 30% limitation, it is possible that more than 30% of an investor's capital account may be dedicated to its Special Investment Sub-Account.

*Small Capitalization Companies.* The Main Fund may invest a portion of its assets in companies with small market capitalizations and/or that are unseasoned. While smaller or unseasoned companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, asset or product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of the trading of securities for such companies may be substantially less than is typical of larger companies. As a result, the securities of smaller or unseasoned companies may be subject to wider price fluctuations. Also, the securities of such companies may be traded only on the over-the-counter markets or on a regional securities exchange and may not be traded daily or in the volume typical of trading on a national securities exchange. When liquidating large positions in such companies, the Main Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time.

*Preferred Stock.* The Main Fund may invest in preferred stocks, which are unique securities that combine some of the characteristics of both common stocks and bonds. Some preferred stocks offer a fixed rate of return with no maturity date. Because those preferred stocks never mature, they act like long-term bonds, can be more volatile than other types of preferred stocks and may have heightened sensitivity to changes in interest rates. Other preferred stocks have a variable dividend, generally determined on a quarterly or other periodic basis, either according to a formula based upon a specified premium or discount to the yield on particular U.S. Treasury stocks or

based on an auction process involving bids submitted by holders and prospective purchasers of such stocks. Because preferred stocks represent an equity ownership interest in a company and are typically subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income, they are generally subject to greater credit risk than those debt instruments. Accordingly, their value usually will react more strongly than bonds and other debt instruments to actual or perceived changes in a company's financial condition or prospects or to fluctuations in the equity markets. Preferred stockholders generally have no voting rights or their voting rights are limited to certain extraordinary transactions or events. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

*Convertible Securities.* The Main Fund may invest in convertible securities, which include bonds, debentures, notes, preferred stocks and other securities that entitle the holder to acquire common stock or other equity securities of the same or a different issuer. Convertible securities have general characteristics similar to both debt and equity securities. A convertible security generally entitles the holder to receive interest or preferred dividends paid or accrued until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible debt obligations. Convertible securities rank senior to common stock in a corporation's capital structure and, therefore, generally entail less risk than the corporation's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a debt obligation. Accordingly, convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. A convertible security may be subject to redemption at the option of the issuer at a predetermined price. If a convertible security held by the Main Fund is called for redemption, the Main Fund would be required to permit the issuer to redeem the security or convert it to underlying common stock or would sell the convertible security to a third party, which may have an adverse effect on the Funds' abilities to achieve their investment objectives. As with all fixed-income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock.

*Indexed Securities.* The Main Fund may invest in indexed securities the value of which are linked to currencies, interest rates, commodities, indices or other financial indicators ("Reference Instruments"). The interest rate or the principal amount payable at maturity of an indexed security may increase or decrease, depending on changes in the value of the Reference Instrument. Indexed securities may be positively or negatively indexed, so that appreciation of the Reference Instrument may produce an increase or a decrease in the interest rate or value at maturity of the security. In addition, the change in the interest rate or value at maturity of the security may be some multiple of the change in the value of the Reference Instrument. The Funds will bear the market risk of the Reference Instrument in addition to the credit risk of the security's issuer.

*When-Issued Securities.* The Main Fund may purchase securities on a “when-issued” or forward delivery basis for payment and delivery at a later date. The prices and yields for such securities are generally fixed on the date of the Main Fund’s commitment to purchase the securities rather than the date of settlement of the transaction. During the period between the Main Fund’s commitment to purchase and settlement (which generally lasts from a few days to two or three months), no interest accrues to the Main Fund. These purchases may involve a risk of loss if the value of the securities falls below the price the Main Fund committed to prior to actual issuance of the securities. The purchase of when-issued securities may involve a degree of financial leverage.

*Distressed Assets.* The Main Fund may invest from time to time in distressed assets and portfolios of distressed assets, which may include high yield securities and non-investment-grade obligations of U.S. and non-U.S. companies (including companies in significant financial or business difficulties) and various loans. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

*Interest Rate Risk.* Interest rate risk is the risk that fixed-income investments will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Therefore, the market price of the securities in which the Main Fund intends to invest may decline if market interest rates rise.

Additionally, rising interest rates may cause investors in such securities to demand a higher annual yield from future distributions, which may in turn decrease market prices for such securities. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Main Fund’s investments to decline. Although the Adviser may seek to mitigate interest rate risk using derivative instruments and other methods, there can be no assurance that such methods will be effective.

*Non-U.S. Investments.* The Main Fund intends to invest in securities issued by non-U.S. companies. The Main Fund may invest in both U.S. dollar-denominated and local currency - denominated securities issued by non-U.S. entities or in derivatives on such instruments or securities. Such investments have risks associated with political and economic developments, higher operating expenses, exchange controls, currency fluctuations, foreign withholding and other taxes that may reduce investment returns, reduced availability of public information concerning issuers and the fact that foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to U.S.-chartered issuers. Securities of many non-U.S. issuers may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers. Transaction costs for non-U.S. securities are generally higher than for comparable securities issued in the U.S. The Main Fund expects to engage in certain hedging activities intended to reduce certain of the risks described above and such hedging activities may present certain risks of their own.

The Main Fund may invest a portion of its assets in developing countries or in countries with new or developing capital markets. The considerations noted above are generally heightened for these investments. These countries may have relatively unstable governments, economies based on only

a few industries and inefficient securities markets. Securities of issuers located in these countries tend to have volatile prices and may offer significant potential for loss as well as gain.

*Non-U.S. Currency.* The Main Fund may invest in securities denominated in foreign currencies, but interests in the Main Fund will be valued in U.S. dollars. As a result, the value of interests in the Funds may fluctuate with U.S. dollar exchange rates as well as in response to changes in prices of the Funds' portfolio securities. Thus, an increase in the value of the U.S. dollar compared to the currencies in which the Main Fund makes its investments could reduce the effect of increases and magnify the effect of decreases in the prices of the Main Fund's portfolio securities in their local markets, with the converse also being true. The Funds can provide no assurances with respect to currency risks in view of the volatile nature of currency markets. Although the Adviser may seek to reduce the Main Fund's non-U.S. dollar exposure by implementing hedging strategies with respect to particular investments denominated in non-U.S. currencies (which may present certain risks of their own), it is not obligated to do so and does not expect to implement such hedging strategies in all circumstances. Accordingly, the Funds' performance is likely to be affected by fluctuations in foreign exchange rates. In addition, capital contributions to and distributions of cash by the Funds generally will be made or payable in U.S. dollars. An investor whose functional currency is not the U.S. dollar will bear additional risks associated with fluctuating currency exchange rates.

*Issuer-Specific Changes.* The Main Fund's strategies rely to a material extent on the financial information made available by the management of the issuers of securities in which the Main Fund invests. Neither SCGE (LTGP) nor the Adviser has any ability independently to verify the financial information disseminated by the numerous issuers in which the Main Fund may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Material losses as a result of corporate mismanagement, fraud and accounting and reporting irregularities are possible.

The securities (or instruments based on or related to the securities) of companies purchased by the Main Fund may involve a high degree of business and financial risk. These companies may be in an early stage of development, may not have a previous operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business and may be subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position or may otherwise be in a weak financial position. These companies may also be highly leveraged. Leverage may have important adverse consequences to the companies themselves and to the Main Fund as an investor in them. These companies may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. In addition, such companies may face intense competition, including competition from companies with greater financial resources, more development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial and technical personnel. Changes in the financial condition of an issuer and changes in specific economic or political conditions can affect the credit quality or value of an issuer's securities.

*Derivative Transactions.* The Main Fund may use derivatives in an effort to hedge various market risks or to manage the Main Fund's exposure to various equity markets. These transactions impose certain costs on the Funds and involve certain risks, such as the possible default of the other party to the transaction, the lack of liquidity, the imperfect nature of the hedge or the ineffectiveness of the strategy in a particular situation, operational risks relating to margin requirements for particular instruments and the possible accentuation of losses or reductions in gains of the underlying portfolio securities.

- *Specialized investment management.* Derivative products require specialized investment techniques and risk analyses that are different from those associated with equities. The performance of the derivative will not be knowable in advance under all possible market conditions.
- *Counterparty default.* The Main Fund may sustain a loss as a result of the failure of another party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Main Fund has concentrated its transactions with a single or small group of counterparties. The Main Fund is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty.
- *Disproportionate losses.* Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index usually will result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- *Liquidity of futures contracts.* The Adviser may use futures in executing the Main Fund's investment strategy. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Main Fund from promptly liquidating unfavorable positions and subject the Funds to substantial losses.
- *Default by futures commission merchants.* Under the Commodity Exchange Act, as amended, commodity brokers (defined as "futures commission merchants" by the Commodity Futures Trading Commission) are required to maintain customers' assets in a segregated account. To the extent that the Main Fund engages in futures and options contract trading and a futures commission merchant with whom the Main Fund maintains an account fails to so segregate the Main Fund's assets, however, the Main Fund will be subject to a risk of loss in the event of the bankruptcy of any of such futures commission merchant. In certain circumstances, the Main Fund might be able to recover, even in

respect of property specifically traceable to the Main Fund, only a *pro rata* share of all property available for distribution to a bankrupt futures commission merchant's customers.

- *Other risks.* Other risks in using derivatives include the risk of mispricing or improper valuation and the inability to correlate perfectly with underlying assets, rates and indices. Many derivatives, in particular privately negotiated derivatives, are complex and sometimes valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Funds. Consequently, the Main Fund's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the Funds' investment objectives.

*Execution of Orders.* The Main Fund's trading strategy depends on its ability to establish and maintain an overall market position in a combination of securities selected by the Adviser. Should the Main Fund's trading orders not be executed in a timely, accurate, and efficient manner, the Main Fund might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, the Main Fund might not be able to make such adjustment. In such an event, the Main Fund would not be able to achieve the market position selected by the Adviser and might incur a loss in liquidating its position, incur an opportunity cost relating to the value of the portfolio, or deviate from the targeted level of portfolio risk.

*Frequent Trading.* The Main Fund may from time to time engage in frequent trading. The high rate of portfolio turnover resulting from the use of this strategy generally leads to greater brokerage and other transaction costs for the Main Fund and may cause adverse tax consequences for the Main Fund and its investors to the extent such frequent trading results in an increase in short-term capital gains.

*Lack of Liquidity.* Although the Main Fund's investments are generally expected to be liquid, the Main Fund has the authority to invest in illiquid or restricted securities or other instruments. There can be no assurance that the Main Fund will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Illiquidity may result from the absence of an established market for investments as well as from legal or contractual restrictions on their resale by the Main Fund. The absence of a trading market can make it difficult to ascertain a market value for illiquid investments. Disposing of certain illiquid investments may involve time-consuming negotiation and legal expenses and it may be difficult or impossible for the Main Fund to sell such investments promptly at an acceptable price. The Funds may have access to non-public information regarding certain investments, the possession of which also could limit the Main Fund's ability to sell such investments. In the event of the dissolution of the Funds, there can be no assurance that the Funds will be able to divest or otherwise dispose of all of their investments prior to making their final liquidating distributions, which may require the Funds to make in-kind distributions.

## **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.



## **Item 10. Other Financial Industry Activities and Affiliations**

### **Affiliated Advisers**

The Adviser is affiliated with and under common control with a number of investment advisers and general partners of private funds. Such affiliated advisers include SCHF (GPE), LLC and related entities, which provide investment advice to private investment funds that are funds of funds. SCHF (GPE), LLC is registered as an investment adviser with the SEC.

The Adviser is also affiliated with Sequoia Capital Operations, LLC and related entities, which provide investment advice to U.S. venture capital funds, and Sequoia Capital IV Israel, Ltd. and related entities, which provide investment advice to Israeli venture capital funds. The Adviser's affiliated advisers also include Sequoia Capital China Advisors Limited and related entities, Sequoia Capital India Operations, LLC and related entities, Sequoia Capital India Operations II, LLC and related entities, Sequoia Capital (India) Singapore Pte. Ltd. and related entities, Sequoia Capital India LLP and related entities, and Sequoia Capital India Advisors Private Limited and related entities, which provide investment advice to private investment funds that are managed from outside the United States and are primarily focused on investments relating to China and India. Sequoia Capital Operations, LLC, Sequoia Capital IV Israel, Ltd., Sequoia Capital China Advisors Limited, Sequoia Capital India Operations, LLC, Sequoia Capital India Operations II, LLC, Sequoia Capital (India) Singapore Pte. Ltd. and Sequoia Capital India LLP and Sequoia Capital India Advisors Private Limited are related advisers.

The Funds may from time to time participate in transactions alongside clients of affiliated advisers. For a description of material conflicts of interest created by the relationship among the Adviser and its affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to every director, officer or partner of the Adviser (and every other person occupying a similar status or performing similar functions); every other employee of the Adviser; and every other person: (i) who is subject to the Adviser's supervision and control; and (ii) who provides investment advice on behalf of the Adviser (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"), establishes guidelines for professional conduct and personal trading procedures, including certain pre - clearance and reporting obligations. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser's Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act.

A copy of the Code of Ethics is available to any client or prospective client upon request.

## **Participation or Interest in Client Transactions**

Certain members, employees and affiliates of the Adviser may invest in and alongside the Funds, either through the Adviser, as direct investors in the Funds or otherwise. The Adviser may reduce all or a portion of the Advisory Fee related to investments in the Funds by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

## **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of the Funds and other investment funds. In the ordinary course of conducting the Adviser’s activities, the interests of the Funds may conflict with the interests of the Adviser or its affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below, and are discussed in detail in the Funds’ offering and organizational materials.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- The Funds will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the Funds;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for the Funds;
- The Adviser has established a Compliance/Operations Committee consisting of the Managing Partners and the Chief Compliance Officer and the Chief Operating Officer (the “Compliance/Operations Committee”). The Compliance/Operations Committee will assess new or potential conflicts as they arise and will be authorized to grant waivers, establish new procedures or amend existing procedures as warranted;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts;
- Prior to subscribing for interests in the Funds, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Funds in the Funds’ offering and organizational materials; and
- The Adviser and certain of its affiliates have adopted written policies and procedures establishing information barriers. The purpose of these policies is to prevent the misuse of

material, non-public information, as to institutional trades made on behalf of the Adviser's and affiliates' investors as well as personal trades made on behalf of the Adviser's and its affiliates' personnel for their own personal accounts.

The “*Conflicts*” section immediately below describes additional mitigating factors for specific potential conflicts.

### *Conflicts*

The material conflicts of interest encountered by the Funds include those discussed below, although the discussion below does not necessarily describe all the conflicts that may be faced by the Funds. Other conflicts may be disclosed throughout this Brochure and the Brochure should be read in its entirety for other conflicts and qualified by the Funds' offering and organizational materials, as appropriate.

#### *Conflicts with Respect to Other Activities*

SCGE (LTGP), the Adviser and their respective officers and employees devote as much of their time to the activities of the Funds as SCGE (LTGP) and the Adviser, as applicable, as they deem necessary and appropriate. Such persons are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Funds. These activities could be viewed as creating a conflict of interest in that the time and effort of such persons will not be devoted exclusively to the business of the Funds.

SCGE (LTGP), the Adviser and their respective principals, owners or employees may engage in investment activities for other client accounts, for their own accounts and for family members and others and may make personal investments in other investment funds, some of which have investment strategies similar to those of the Funds or that may participate with the Funds in certain private or special situation investment opportunities.

The relationships or arrangements described above are not expected to preclude the Funds from entering into transactions with such other parties or their affiliates, so long as the terms on which the Funds participate are determined by SCGE (LTGP) and/or the Adviser, as appropriate, to be in the best interest of its investors.

#### *Conflicts with Respect to Related Party Transactions*

The Funds will make investments in, or otherwise enter into transactions with other investment funds or accounts managed or sponsored by the Adviser or its affiliates, investors or their affiliates (collectively, the “Related Parties”). Conflicts of interest will arise in a number of different situations involving transactions with the Related Parties (“Related Party Transactions”), including, without limitation, (i) when a Fund invests in or co-invests with a Related Party or a Related Party invests in the Funds, (ii) when a Fund purchases securities from or sells securities to any Related Party, (iii) when a Fund invests in an existing investment held by a Related Party, and (iv) when a Fund or Related Party invest in different securities issued by the same company (*e.g.*, debt and equity). The Adviser will use its reasonable judgment (acting with the same standard of care owed by SCGE (LTGP) to the Funds as provided in the respective Funds' partnership

agreements and taking such factors into consideration as the Adviser, in its sole discretion, deems relevant) when resolving conflicts of interest that arise in connection with Related Party Transactions.

#### *Conflicts with Respect to its Relationship with Sequoia Capital*

Additional conflicts of interest may arise as a result of the Adviser's relationship with Sequoia Capital, their principals and employees, or all of the foregoing. From time to time, Sequoia Capital and its affiliates will come into possession of material non-public information, and such information would limit the ability of the Funds to buy and to sell investments. In such cases, the Funds would be restricted from participating in transactions involving the issuer for which Sequoia Capital and its affiliates possesses material non-public information. In addition, the Adviser will be restricted by contract from using for the benefit of the Funds, or an affiliate of Sequoia Capital, confidential information that it has for investment or other purposes, as appropriate.

#### *Conflicts Among Funds*

Currently, the Adviser advises only one Fund that makes direct investments, the Main Fund. The Adviser will establish appropriate procedures addressing potential conflicts among Funds prior to providing investment advice to any other fund that makes direct investments.

#### *Allocation of Investment Opportunities*

Allocations of investment opportunities for the Funds shall be made in accordance with the offering and organizational materials for the Funds, as applicable.

The Adviser has no obligation to offer any investment opportunity to the Funds. The Adviser, in its sole and absolute discretion, may elect to make available investment opportunities that come to its attention, in whole or in part, to one or more of the Funds, the investors, any partners, any other affiliated funds or any other person or persons. Under no circumstances shall the Adviser be deemed to have breached any duty to the Funds or the investors solely by virtue of offering investment opportunities in accordance with the immediately preceding sentence (*e.g.*, to the exclusion of the Funds) or causing the Funds to make investments that one or more affiliated funds have determined not to make.

The Adviser may cause the Funds to purchase securities of an issuer that is, or will become, a portfolio company of an affiliated fund or an affiliated fund of Sequoia Capital and, more generally, to co-invest or cross-invest in the same issuer with an affiliated Fund or an affiliated fund of Sequoia Capital.

The Adviser has the authority to cause the Funds to transfer to an affiliated fund (without receiving any consideration therefor) the opportunity to take advantage of preemptive and similar investment rights held by the Funds.

Any participation allocated to the Funds in any investment in which any partner or any one or more of its equityholders, officers, directors, employees or other related persons participates need not be on the same terms or in amounts proportional to investments made by any of such persons. Moreover, such persons may: (i) participate in any such investment on terms more favorable than

the terms of the Funds' participation in such investment; and (ii) sell or otherwise dispose of any such investment in advance of any particular sale or other disposition of such investment by the Funds.

The allocation policy is not applied to prevent: (i) any person from taking advantage of a preferred investment opportunity made available as compensation for services (including securities awarded for service as an officer or director to a company in which the Funds have an investment); or (ii) any company in which the Funds have an investment from acquiring or disposing of any security or investment (at such times and on such terms as it shall select in its sole and absolute discretion).

#### *Conflicts with Respect to Simultaneous Co-Investments*

The Funds may co-invest initially in portfolio investments at substantially the same time as other affiliates of Sequoia Capital, generally through Special Investments in private companies. There can be no assurance that the Funds would dispose of such an investment at substantially the same price or time as other affiliates of Sequoia Capital due to many factors that may or may not be foreseeable at the time of investment, including availability of capital for follow-on investment and other needs, differing basis in the investment, differing financing terms applicable to different investments, time horizons applicable to different affiliates of Sequoia Capital and their differing investment objectives and investment programs.

#### *Conflicts with Respect to Investing in Pre-Existing Investments*

The Funds may invest in companies in which other Sequoia Affiliated Funds hold a pre-existing investment. Any investment by the Funds in a pre-existing investment of other Sequoia Affiliated Funds could be viewed, especially in hindsight, as a below-market purchase. In circumstances in which the Funds make an investment in a company in which other Sequoia Affiliated Funds have an investment, the Funds expect to make business decisions relating to such investment independently of the analogous decisions made with respect to the investment by such other Sequoia Affiliated Funds. This may result in situations where the Funds choose not to hedge certain risks that other Sequoia Affiliated Funds do hedge or where the Funds are exposed to risks of financing (for example, possible margin calls) on an investment when other Sequoia Affiliated Funds are not.

#### *Conflicts with Respect to Differing Positions*

The Fund and Sequoia Affiliated Funds may hold different positions with respect to the securities of an issuer. For example, the Fund may short the securities of an issuer, while a Sequoia Affiliated Fund holds a long position with respect to the securities of such issuer.

#### *Conflicts with Respect to One Sequoia*

Certain members of the Adviser currently (or will in the future) participate in "One Sequoia." One Sequoia is a multi-entity program generally designed to promote collaboration among managers of various Sequoia Affiliated Funds through economic incentives (including, without limitation, the sharing of management fees/carried interest). The One Sequoia program may benefit the Funds by incentivizing managers of Sequoia Affiliated Funds to share investment insights or

opportunities with the Funds or to otherwise act for the benefit of the Funds, but there can be no assurance that the Funds will actually receive any such benefits. Correspondingly, the One Sequoia program will incentivize participating members of the Adviser to act for the benefit of Sequoia Affiliated Funds, possibly to the detriment of the Funds (*e.g.*, by sharing an otherwise limited investment opportunity). On balance, the Adviser believes that the One Sequoia program is likely to result in net benefit to the Funds, but there can be no assurance of such net benefit and it is possible that behaviors incentivized by the One Sequoia Capital program will yield a net detriment to the Funds.

Notwithstanding the foregoing, Sequoia Capital is not a unitary enterprise, but rather is a collection of related individuals and entities partially bound together by overlapping interests, activities and branding. Investors should look only to the actual members of the Adviser for the management of the Funds. Other individuals and entities that are part of Sequoia Capital generally will have no authority to participate in the investment management of the Funds and no obligation to provide the Funds with any specific benefits. Moreover, such individuals and entities may be legally prohibited from providing certain types of benefits to the Funds and often will have duties and interests that conflict with those of the Funds. Accordingly, while it is anticipated that the Funds will derive some degree of benefit from being part of One Sequoia, investors must not rely upon any specific benefits and must not assume that any such benefits as do arise will have a material impact upon the Funds' performance.

#### *Conflicts with Respect to Fees and Board Services*

Sequoia Affiliated Funds and Related Parties may receive transaction fees, break-up fees, directors' fees or other compensation in connection with investments made by the Funds and/or Related Parties of the Funds, and the Funds will not be entitled to any such compensation. In addition, to the extent Sequoia Affiliated Funds serve as officers or directors of portfolio companies, they may encounter conflicting duties to the Funds and those companies.

#### *Conflicts with Respect to Cross Transactions*

Cross trades occur when the Adviser or an investment advisory affiliate transfers securities from one client account to another in exchange for cash without the use of an unaffiliated broker-dealer to facilitate the transaction. The Adviser may engage in cross trades with respect to the Funds to the extent permitted in the Funds' organizational documents and disclosed to the Funds' investors. Otherwise, the Adviser does not permit cross trades with respect to the Funds.

An agency cross transaction is a transaction in which an affiliate of the Adviser acts as agent for both the buyer and the seller in a securities transaction and receives a commission from both parties. The Adviser does not permit agency cross transactions with respect to the Funds.

#### *Conflicts with Respect to Related Service Providers*

The Funds expect to retain or otherwise purchase services from affiliates of the Adviser in addition to services to be provided by the Adviser under the Advisory Agreement. The Fund will retain or otherwise purchase services or purchase securities or assets from affiliates of Sequoia Capital. In addition, the Fund will retain services of portfolio companies of any Sequoia Affiliated Fund.

### *Conflicts with Respect to Risks and Restrictions Arising from Activities of Sequoia Capital*

Affiliates of Sequoia Capital regularly act as members of boards of directors and regularly acquire confidential information and enter into confidentiality and/or “standstill” agreements when assessing investment opportunities and managing investments. In such cases, the Funds would be restricted from participating in transactions involving the applicable issuer.

### *Conflicts with Respect to Information Available to Affiliates of the Adviser That is Not Available to Others*

The Adviser will convey its investment decisions to the Funds prior to conveying such information to any affiliate of the Adviser or other party; however, affiliates of the Adviser generally will have access to investment information relating to the Funds prior to other investors in the Funds and may have access to more detailed information. In addition, affiliates of the Adviser may be aware that the Funds are considering an investment before an investment decision is made, including as a result of research provided by such affiliate of the Adviser to the Funds. Affiliates of the Adviser will also have information regarding the financial position and operations of SCGE (LTGP) and the Adviser that is not available to other investors.

### *Other Potential Conflicts*

Please see the discussion above under the sub-heading “*Resolution of Conflicts*” for further description of the means by which the Adviser and its Related Persons may seek to alleviate conflicts of interest between the Funds and other persons.

## **Item 12. Brokerage Practices**

### **Brokerage Policy and Procedures**

To meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding and selling publicly traded securities.

### **Selection of Brokers and Dealers**

The Adviser selects brokers to effect portfolio transactions for the Funds and in doing so seeks the most favorable execution terms reasonably available. In making this determination, the Adviser may consider such factors as the broker’s ability to effect the transactions, the broker’s facilities, reliability and financial responsibility, securities pricing and transaction expenses, execution capability, confidentiality, capital commitment, order and processing responsiveness, the broker’s effectiveness in providing market or industry information, arranging for access to issuer’s management, investment vehicles or knowledgeable industry sources and the provision or payment of the costs of brokerage or research products or services. The Adviser does not have an obligation to seek the lowest available commission cost. If the Adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker, the Funds may pay commissions to such broker in an amount greater than the amount another broker might charge.

## **Research and Other Soft Dollar Benefits**

The Adviser will receive research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products and services. The use of commissions or “soft dollars” to pay for brokerage and research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser has discretion in deciding what brokers and dealers the Funds will use and in negotiating the rates of compensation the Funds will pay. In addition to using brokers as “agents” and paying commissions, the Funds will buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The Managing Partners lead the Adviser and are the principal officers of SCGE (LTGP). Final investment decisions are made by the Managing Partners. Each Managing Partner is also responsible for monitoring specific positions within the portfolio and has individual discretion to reduce exposure in the positions monitored by him or her.

### **Reporting**

SCGE (LTGP) will use commercially reasonable best efforts to ensure that investors in the Funds receive a copy of audited financial statements of the Funds within 120 days of the fiscal year end of the Funds. In addition, investors in the Funds typically receive unaudited monthly capital account statements after the end of each calendar month. SCGE (LTGP) and the Adviser may from time to time, in their sole discretion, provide additional information relating to the Funds to one or more investors in the Funds as they deem appropriate.

## **Item 14. Client Referrals and Other Compensation**

For details regarding economic benefits provided to the Adviser or members of the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

## **Item 15. Custody**

The Adviser and its affiliates are deemed to have custody of funds and securities of the Funds because it has the authority to obtain funds or securities of the Funds, for example, by deducting advisory fees from a Fund’s account or otherwise withdrawing funds from a Fund’s account. Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) imposes certain requirements on registered investment advisers who have actual or deemed custody of clients. However, the Adviser is exempt from (or is deemed to comply with) many of the provisions of the Custody Rule because (i) each Fund is audited in accordance with U.S. Generally Accepted Accounting Principles on an annual basis by an independent public accountant that is registered with, and



subject to regular inspection by, the Public Company Accounting Oversight Board, and audited financial statements are distributed to each investor in the Funds within 120 days of the end of each Fund's fiscal year, and (ii) each Fund's assets are held at a qualified custodian to the extent required by the Custody Rule. Such qualified custodians include prime brokers, banks and other broker-dealers.

#### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreement. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the Funds.

#### **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds. The Adviser has discretion over the Funds' exercise of voting rights with respect to securities it holds. The Adviser reviews each proxy solicitation to determine if the Funds have a material interest in the outcome of the vote in question and how a vote may be in furtherance of such interest. The Adviser may consider, among other things, the proposal's content, its potential economic impact on the issuer and the Funds' investment, the issuer's management, financial and stock performance, relevant corporate governance standards and the issuer's record regarding shareholder rights and value enhancing opportunities. Though outside advisors or other service providers may be retained to act as voting agent, to provide analysis of issuer and shareholder proposals or to provide voting guidelines for reference, the Adviser generally does not delegate the proxy voting decision to, or defer to the recommendation of, outside advisors or other service providers. In certain cases, an abstention or non-vote may be determined to be appropriate or in the best interest of the Fund, such as when the Fund is no longer a shareholder on the date of the vote. Not all such matters are relevant or equally influential on all voting event decisions.

Copies of relevant proxy logs, identifying how proxies were voted in connection with the Funds, and copies of proxy voting policies are available to any client or prospective client upon request.

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.