

Form ADV Part 2A: Firm Brochure
Item 1 – Cover Page



Baker Bros. Advisors LP

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Baker Bros. Advisors LP (“BBA” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Scott Lessing, President, at 212-339-5600 or bbcompliance@bbinvestments.com. 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 BBA also is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with BBA who are registered, or are required to be registered, as investment adviser representatives of BBA.

From time to time, in this and other documents, BBA may refer to itself as a “registered investment adviser” by virtue of its registration with the SEC. Registration with the SEC does not imply any level of training or skill.

Item 2 – Material Changes

There are no material changes from the brochure filed in March 2019.

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Item 4 – Advisory Business

- A. BBA, a Delaware limited partnership, is an investment adviser located in New York, New York and has been providing investment advisory services since January, 2000. BBA serves as a discretionary investment advisor to certain private investment funds (each, a “Fund” and collectively, the “Funds”), which are generally organized as domestic limited partnerships, and a managed account (the “Managed Account” and, collectively with the Funds, “Client” or the “Clients”).

BBA’s founders and principal owners are Julian Baker and Felix Baker.

- B. BBA generally has broad investment authority with respect to its Clients, subject to certain pre-agreed limitations applying on a portfolio-wide basis with respect to certain Clients and set forth in the applicable Client’s constituent documents (the “Investment Limits”).

BBA’s Clients invest in public and private securities and related assets and revenue streams of life sciences and health care companies and cash management investments. These securities include, but are not limited to: (1) equity securities, including exchange-listed and over-the-counter securities; (2) warrants; (3) corporate debt securities, including convertible bonds; (4) options contracts on securities; (5) ETFs; and (6) money market funds. BBA focuses on public securities, but, from time to time, recommends investments in private companies, life sciences and related health care intellectual property, royalty streams or other “non-public” investment opportunities.

Clients may ask BBA to, and BBA may, provide investment advice with respect to other investment securities and instruments as is consistent with each respective Client’s investment objective.

- C. BBA neither tailors its advisory services to the needs of individual investors in the Funds (“Investors”), nor accepts Investor-imposed investment restrictions other than the Investment Limits (which apply to all Investors in an applicable Fund).

Though BBA utilizes a similar strategy for all of the Funds, it may tailor the advisory services it provides to Clients to the extent that certain investments cannot be held by certain of BBA’s Clients for legal, tax or portfolio concentration reasons.

BBA has, however, established, and may in the future establish additional, managed accounts or single investor funds for large or strategic investors. The advisory agreements for such managed accounts or funds are generally subject to different terms than the Funds, including but not limited to, liquidity, investment objectives, guidelines and restrictions, fees and other terms.

Other than Baker Brothers Life Sciences, L.P., and HCIF Offshore LP, all of the Clients are currently closed to new Investors.

D. BBA does not participate in wrap fee programs.

E. As of December 31, 2019, the amount of Client assets managed by BBA (“RAUM”) was \$23,578,121,426, all of which is managed by BBA on a discretionary basis. BBA does not currently manage any Client assets on a non-discretionary basis.

Item 5 – Fees and Compensation

- A. The Funds offer interests only to “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. Admission to the Clients is not open to the general public. Investors and prospective Investors should refer to the limited partnership agreement or other governing document of the appropriate Client for a detailed description of the fees.

The Funds generally compensate BBA with a management fee based on the committed capital, and in some cases the net assets, of the applicable Fund (the “Management Fee”). In addition, performance-based compensation, based on the net profits allocated to each Investor and calculated on a high watermark basis (the “Incentive Allocation”), is allocated to the general partners (which are affiliates of BBA) of the respective Funds (the “General Partners”). The amounts of the Management Fee and the Incentive Allocation vary among the Funds.

Although fee arrangements for certain Funds have been negotiated with the Investors of those Funds, other than BBA related persons, such arrangements apply to all Investors in each such Fund. The General Partner waives the Management Fee and Incentive Allocations for Investors that are partners, employees, relatives or affiliates of the General Partner or the Investment Manager. Otherwise, the Management Fee and Incentive Allocation are generally not negotiable.

Fee arrangements for the Managed Account and single investor funds are generally individually negotiated and differ from those of the Funds.

Investors and prospective Investors should refer to the Funds’ partnership agreements for more detailed information regarding how BBA is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

- B. BBA deducts fees directly from the Funds’ assets. Investors do not have the ability to choose to be billed directly for fees. Management Fees are generally deducted monthly or quarterly in advance as specified in the relevant governing document for each Fund. The Incentive Allocation (if applicable) is generally made on the last business day of each calendar year, or at the time of withdrawal by an Investor subject to certain exceptions detailed in the Limited Partnership Agreement of each Fund.

Fees for the Managed Account are generally billed periodically and the applicable Investor may directly deduct the fees from the assets of the applicable Client.

Investors and prospective Investors should refer to the Funds’ partnership agreements for more detailed information regarding how BBA is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

- C. In addition to the compensation described above, each Client generally bears certain expenses, which include (i) investment-related expenses (whether or not any such investment is consummated), (including the costs of consultants and experts sourced both directly and through expert networks; costs of primary research, such as direct surveys; attendance at industry conferences and events (including admission fees); travel, including but not limited to airfare at various rates which will include fully refundable airline tickets for first-class, business class, coach and charter (which will in some cases, include all of BBA's investing professionals) as well as higher-end hotels and restaurants, inflight internet expenses; brokerage fees and fees embedded in money market funds held by the Funds; (ii) fees related to all regulatory filings, including legal fees related to regulatory filings, including but not limited to Form 13F and Form 13H filings, and filings under the Hart-Scott-Rodino Act; (iii) third-party legal, governance, accounting, audit and tax preparation, appraisal, custodial and registration expenses, including third-party fund administration fees; (iv) fees related to proxy voting services; (v) fees related to class action services; (vi) offering expenses; (vii) liquidation expenses; (viii) sales or other taxes, fees or government charges; (ix) expenses of members of the advisory boards (with respect to certain Funds); (x) expenses relating to litigation and threatened litigation involving the applicable Client, including indemnification expenses; (xi) premiums for liability or other insurance to protect the Client, its General Partner, BBA, certain of BBA's affiliates, members of the Fund's advisory board (if applicable) and any of their respective partners, members, stockholders, officers, directors, employees, agents or affiliates in connection with the activities of the Fund¹; (xii) profits disgorged by the Partnership under Section 16 of the Securities Exchange Act of 1934; and (xiii) other similar expenses related to such Client and any extraordinary expenses. For a Fund that is part of a master-feeder structure, each feeder fund will indirectly bear the administrative and other expenses of the master fund *pro rata* based on its interest in the master fund.

Each Client also bears all costs and expenses incurred in connection with its formation and organization. Any expenses that are attributable to more than one Fund are prorated by BBA among the applicable Funds as reasonably determined by BBA to properly reflect the benefit received by each Fund.

The Clients may be deemed to be paying for research and other services with bundled commission arrangements including soft dollars. Refer to Item 12 – Brokerage Practices for further information.

Compensation paid from portfolio companies to BBA full-time employees for serving on the boards of such portfolio companies takes the form of cash, restricted or unrestricted stock or stock options. All payments received by BBA full-time employees from portfolio companies for which they perform any service, including board service, will be forwarded to, and for the

¹ To date the General Partner has not elected to purchase errors and omissions liability insurance and has no plans to do so, although it re-evaluates this decision periodically to determine whether it would be economically efficient for the Funds or BBA to do so.

account of, BBA to offset future management fee. Any stock or stock options required to be held in the individual full-time BBA employee's name will be segregated from his/her personal holdings to the extent possible. The proceeds of any stock sold related to board of director positions of BBA full-time employees reduce future Funds management fees charged to investors to the extent that management fees are otherwise due. Accordingly, the applicable Fund loans to BBA, which in turn advances to the applicable BBA full-time employee, funds to exercise stock options. Upon the sale of the applicable stock, the full-time employee will remit the proceeds of the sale to BBA less any interest or other expense (including taxes) the employee has been charged. The sale of the stock and exercise of the options will be at discretion of BBA.

The amount of directors' fees and capital gains received on shares ultimately sold during the year (net of exercise cost, interest and other expenses) for each portfolio company will generally be allocated to reduce management fees, to the extent management fees are otherwise due, on a pro rata basis relative to each Fund's holdings of that portfolio company as of a date reasonably determined by the GP. Within each Fund, the amount so allocated will reduce each Investor's future management fees payable to BBA based on the total fees paid by such Investor during the preceding year in accordance with the Funds' partnership agreements. In cases where Funds have closed and have no future management fees, no allocation will be made.

Investors and prospective investors should refer to the limited partnership agreement of the respective Fund for detailed information with respect to the fees and expenses they pay in connection with an investment in such Fund. The information contained herein is a summary only and is qualified in its entirety by such documents. For further information regarding brokerage practices, please see "Item 12; Brokerage Practices."

- D. Management Fees are generally paid monthly or quarterly in advance, as of the first day of each calendar quarter, as specified in each Fund's partnership agreement or other governing documents. In the unlikely event that an advisory contract for a Fund is terminated before the end of the applicable period, a *pro rata* portion of the Management Fee would be returned to the applicable Investors based on the number of days remaining in the quarter calculated beginning with the last day of the month in which the termination became effective. Similarly, the Management Fee attributable to any portion of an Investor's investment in a Fund which is distributed back to the Investor shall continue to accrue until the last day of the month in which such distribution is made.

Management Fees relating to the Managed Account are generally paid and refunded in a similar manner, subject to negotiation on a case-by-case basis with the applicable Client.

Investors should refer to the Funds' partnership agreements or other governing documents (including, as applicable, in respect of the Managed Account) for more detailed information regarding the treatment of fees in the event of a withdrawal or termination. The information contained herein is a summary only and is qualified in its entirety by such documents.

- E.** BBA's *supervised persons do not* accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 – Performance-Based Fees and Side-by-Side Management

As described in Item 5.A above, BBA (or an affiliate of BBA) receives performance-based compensation from the Funds. All Funds are subject to performance-based compensation.

The Incentive Allocation may create certain conflicts of interest with respect to BBA's management of the Funds (or of the assets of other Funds). Specifically, BBA's entitlement to performance-based compensation may create an incentive for BBA to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

The possibility that BBA (or an affiliate) will receive performance-based compensation from certain Funds, but not from others, or at different rates, may create a potential conflict of interest in that it may create an incentive for BBA to direct more profitable investment ideas to, or allocate trades in a manner that favors, those Funds that pay or will pay the higher performance fee or allocation. In order to manage such potential conflicts, Fund portfolios are under regular review by BBA (as described in Item 13.A). In addition, BBA has implemented a detailed allocation policy and BBA regularly reviews its trade allocations (as described in Item 12.B). BBA, to the extent within its control, will not favor one Fund in any way to another Fund's detriment and will act in a manner that it believes over the long term is fair and equitable to all of its Funds.

BBA simultaneously manages portfolios for Funds that implement comparable investment strategies (i.e., side-by-side management). The simultaneous management of these separate but similar portfolios creates certain conflicts of interest, as fee structures differ from Fund to Fund. Nevertheless, when managing the assets of such Funds, BBA has a fiduciary duty to treat all Funds fairly and equitably and has implemented policies and procedures to ensure that investors are treated fairly, and to prevent this conflict from influencing the allocation of investment opportunities among them. In addition, BBA periodically reviews the portfolios of the Funds (as described in Item 13.A) and BBA has implemented a detailed allocation policy.

Although BBA generally seeks to allocate investment opportunities on a *pro rata* basis based on the size or desired size of each Fund account, the allocation of an investment opportunity may be adjusted based on relevant circumstances including, without limitation: investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory (including but not limited to Securities and Exchange Commission and Federal Trade Commission rules and regulations) and other considerations; actual and desired asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; portfolio concentration; participation in prior investments in the same issuer, among others. BBA records the allocation methodology applied to each trade.

BBA's investors will include taxable and tax-exempt entities and may include persons or entities organized in multiple jurisdictions. The various types of investors in the Funds, including the General Partner, may have conflicting investment, tax and other interests with respect to their investment in the applicable Fund. When considering a potential investment for a Fund, the

General Partner will generally consider the investment objectives of such Fund as a whole, not the investment objectives of any investor individually. Consequently, the General Partner may make decisions from time to time that may be more beneficial to one type of investor, including the General Partner and its affiliates, than another. For example, such decisions may (directly or indirectly) be more beneficial to investors that are BBA affiliates (such as the General Partner, principals or employees) than to investors unaffiliated with BBA, or may be more or less beneficial to U.S. taxpayers vs. non-U.S. taxpayers, or may be more or less beneficial to investors depending on their tax status. There is no assurance that the Funds will not incur significant foreign or domestic tax liability.

Irrespective of the taxable vs. tax-exempt, or U.S. vs. non-U.S., status of an Investor in a BBA-advised Fund, when an Investor redeems the entirety of their investment in public securities investments of BBA-advised Funds (leaving only private securities investments remaining), BBA will generally (subject to its discretion for circumstances where such an approach would for reasons not currently contemplated result in an inequitable allocation) allocate the Fund's taxable income or loss (generally made up of trading gains and losses) to the redeeming Investor such that the redeeming Investor's adjusted remaining tax basis in the Fund is equal to its remaining interest in the Fund to the extent there are gains or losses (initially on a net basis and then on a gross basis) available to do so. Additionally, to the extent an Investor in a BBA-advised Fund withdraws all or a portion of its capital account, BBA intends to allocate the BBA-advised Fund's taxable income or loss (generally made up of trading gains and losses) to such Investor generally equal to the amount (if any) by which such withdrawn amounts exceed its adjusted tax basis in its interest.

Item 7 – Types of Clients

BBA provides investment advisory services to pooled investment vehicles operating as private investment funds and to one Managed Account.

Investment in these funds is limited to investors that meet the eligibility qualifications of both (i) “accredited investors” within the meaning of Regulation D of the Securities Act of 1933, as amended (“Accredited Investors”) and (ii) “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. The majority of the investors in the Clients are institutional investors, primarily foundations and endowments.

In general, the minimum initial investment amount in a Fund and/or Managed Account is \$40,000,000; however, this is subject to the discretion of the General Partner of each Fund, and this discretion may be delegated to BBA.

Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

- A. BBA is a discretionary asset management firm pursuing a fundamentally-driven approach to life sciences investing. BBA typically takes large, concentrated positions in the securities of life sciences companies with the potential for significant value creation over the long term. BBA's positions can constitute a significant portion of the capital structure of the companies in which it invests and BBA may seek an active dialogue with the management of those companies. BBA does not seek to diversify the Clients' portfolios for the purpose of achieving diversification. Rather, each investment may constitute a significant portion of the assets under management of a Client. Given its large, concentrated and relatively long-term investment strategy, as well as the volatile securities within its investible universe, BBA expects the Clients' returns to be volatile.

BBA's investment team meets at least once a month to discuss existing positions, prospective positions, industry developments, scientific developments and publications, on-going research, overall market themes, and to provide input to BBA's Investment Management and Risk Committee. Significant investment, portfolio positioning and capital allocation decisions are made solely by BBA's Investment and Risk Management Committee, except in the rare and exigent circumstance that no member of the Investment and Risk Management Committee is available to approve a significant investment decision and in the judgment of both the President and a specified Partner it is urgent that a significant investment decision be made, e.g., time-sensitive developments concerning a significant position.

In evaluating securities, the main sources of information used by BBA include, but are not limited to: publicly available filings with the SEC, including annual reports and prospectuses; research materials prepared by third parties; company press releases; statements and presentations of companies and of researchers at industry, medical, and scientific conferences; scientific and medical literature, journals and publicly-disclosed study results, interviews of industry experts, including medical doctors and research scientists; primary research, such as direct surveys; and meetings with corporate management. BBA relies on its investment team, some with scientific and/or medical research training, to generate and evaluate investment ideas subject to the investment decision of its Investment and Risk Management Committee. BBA generates internally all of the analysis that it ultimately relies upon to make investment decisions, sometimes using as inputs into this analysis outside sources of information, including, primarily, those described above.

Investors in the Funds should be aware that investing in the Funds involves significant risk of loss of principal, including the risk of loss of the entire amount invested, that they should be prepared to bear. Investments in the Funds are designed only for certain experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Funds/Account. There can be no assurance that the Funds' investment objective will be achieved or that BBA's risk management techniques will protect against loss. An investment in a Fund should be deemed highly speculative and is not intended as a complete investment program. Similar risks apply with respect to the Managed Account.

Investors and prospective Investors should refer to the Funds' limited partnership agreements for more detailed information regarding the Funds and their respective investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.

- B. BBA has broad discretion in making investments for the Clients and utilizes highly speculative investment techniques. There can be no assurance that BBA will correctly evaluate the nature or magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may detrimentally impact businesses in which the Clients invest, affecting their access to capital and public market valuations. These factors and others may significantly affect the results of BBA's activities and the value of the Clients' investments. In addition, the value of the Clients' portfolios may fluctuate in response to fluctuations in the general level of interest rates.

All securities investments risk the loss of capital. No guarantee or representation is made that a Fund will achieve its investment objective or that investors will not lose all or substantially all of their investment in the Fund. Purchases of interests in Funds are suitable only for investors of substantial financial means who can make a long-term investment, can bear the risk of loss of their entire investment in the Fund and have no need for liquidity of their investment. Similar risks apply with respect to the Managed Accounts.

Each of BBA's strategies has the potential for a Client's assets to materially decline in value. The nature of the Clients' investments involves certain risks, and the use of various investment techniques (such as hedging, leverage and short selling) carry additional risks. Some of the specific risks to which Client assets may be susceptible are as follows:

Global Issues

Our business is materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside of our control, including, but not limited to, changes in interest rates, availability of credit, inflation rates, economic uncertainty, slowdown in global growth, changes in laws (including laws relating to taxation and regulations on the financial industry), disease, pandemics or other severe public health events, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including government shutdowns, wars, terrorist acts or security operations). For example, there have been recent outbreaks in several countries of the highly transmissible and pathogenic novel coronavirus. The outbreak of such communicable diseases could result in a widespread health crisis that could adversely affect general commercial activity, BBA, and the economies and financial markets of many countries both directly and indirectly through impacts on the supply chain. These factors may affect the level and volatility of securities prices and the liquidity and the value of investments and have a material adverse effect on the Partnership.

Concentration of Investments

The Funds, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, at certain times hold relatively few investments. Any Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected. In certain cases, these risks may apply to the Managed Account as well.

Volatility

The market value of the Clients' investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, drug study success and other factors described in "Portfolio Company Risks" below; the macroeconomic environment, specific developments or trends within a company or in any particular industry, the market's overall perception of risk, the condition of certain financial markets, domestic and international economic or political events, and changes in prevailing interest rates.

Liquidity of Investments

Some Fund investments are illiquid, making it difficult to acquire or dispose of them in substantial size at the prices quoted on the various exchanges. In addition, because BBA takes large positions in the securities of companies in which it invests and at times joins the boards of directors of Fund portfolio companies, securities regulation and filing requirements are considerations limiting BBA's trading of those securities. Several of such filing requirements are based on the aggregate ownership of securities owned by Funds advised by BBA. With respect to decisions to trade in the securities of such companies, BBA will consider the legal, regulatory, filing requirements and resulting market impact of trading based on aggregate holdings of BBA-advised Clients, such that BBA may limit the trading even of Funds whose individual ownership is less than the threshold that would trigger a legal, regulatory or filing requirement when the aggregate ownership of BBA-advised Funds is greater than such thresholds. Accordingly, BBA's ability and the ability of its Clients to respond to market movements may be impaired based on aggregate and/or individual ownership and Clients may experience adverse price movements caused by either lack of liquidity or considerations limiting liquidity in certain investments; such adverse price movements may continue to impact an Investor's return even after an Investor has requested a redemption given that Investors generally continue to participate in the profits and losses of the Clients until an Investor's redemption request is paid out.

Multiple Funds Actively Managed

The Firm provides advisory services to multiple Funds with the same or similar strategies. As a result, the Funds may be allocated a smaller portion of an investment opportunity than they would receive if they were a "stand-alone" Fund. Additionally, from time to time, a Fund may not be able to participate in a given investment due to investment restrictions applicable to such Fund (or, in certain circumstances, due to investment restrictions applicable to a different Fund, including situations in which two or more Funds trade generally in parallel

and one of such Funds is limited or restricted from participating in a given investment due to contractual, legal or regulatory restrictions). Similar risks apply to the Managed Account.

Financial Model Risk

Some of the Funds' significant investments require the use of quantitative and qualitative valuation models developed by BBA. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without BBA recognizing the change before significant losses are incurred. In addition, modeling-related risks include, but are not limited to, the risk that a model may be driven by inaccurate inputs or assumptions, that a model may have embedded computational errors, that a model omits key components or drivers of the future value of a company and that market behavior changes over time (potentially due to other market participants' own models).

A Fund's model risk extends to the valuation of its non-exchange traded investments, some of which will be made on the basis of internal BBA models in the absence of any readily determinable market value. The valuations so determined may differ materially from values that are actually realized. Typically, however, positions for which there is no public market valuation and therefore which are marked to a model are a small portion of the Funds' investments.

Currency Exposure

Interests in Clients are issued and withdrawn in U.S. Dollars. The assets of Clients may, however, be invested in securities and other investments which are denominated in currencies other than U.S. Dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. In addition, prospective investors in Clients whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and other currencies. The Clients may, as determined by BBA, enter into hedging agreements such as swaps or forwards that may result in losses on a mark-to-market basis.

Short Selling

Certain Clients engage in short selling. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase.

In addition, the Funds may engage in prime broker-sponsored programs that enable the use of short sale proceeds to fund purchases of long positions. The decision of a prime broker to cancel such a program while a Fund was relying upon it could force certain of the Funds to sell long positions or cover short positions at an unfavorable point in time in order to avoid borrowing from the applicable prime broker to cover such positions and thereby incurring unrelated business tax income.

Selling securities short is subject to off-balance sheet market risk of loss should the Client be unable to acquire the securities for delivery to the lender at prices equal to or less than the value of the security or securities.

Leverage

Generally, the Funds do not utilize leverage in material amounts. However, certain Funds, as disclosed in such Funds' partnership agreements or other governing documents (and subject to limitations set forth therein), may employ leverage. The use of leverage creates special risks and may significantly increase such Funds' investment risks. Leverage creates an opportunity for greater yield and total return but, at the same time, increases such Funds' exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the value of interests in the Funds to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of the interests in the Funds may decrease more rapidly than would otherwise be the case.

Leverage also exposes a Fund to a greater risk of sales of securities forced by a determination by a credit-provider that a Fund has insufficient assets pledged as collateral against the credit extended. Such sales could be forced, for example, by a credit-provider changing the amount of assets that it requires to be pledged as collateral against the credit extended or the weighting that it gives to a particular category of assets as collateral against credit extended.

Hedging Transactions

While a Fund may enter into hedging transactions to seek to reduce risk, such transactions can result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, BBA may not seek to establish, for the benefit of a Fund, a perfect correlation between such hedging instruments and the risks being hedged (for example, by hedging a convertible debt exposure through shorts in common equity of an issuer). Such imperfect correlation can prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss.

Counterparty Risk

The Clients are subject to the risk of the inability of any counterparty (including prime brokers and custodians) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Exposure to Material Non-Public Information

From time to time, BBA receives material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Clients are generally prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer; (ii) establishing an initial position or taking any greater position in such issuer; and (iii) pursuing other investment opportunities related to such issuer. In such circumstances BBA will likely

be limited to selling securities during a company's open trading window and the price of the relevant security could dramatically change before the trading window is opened.

New Issue Trading

The Funds from time to time invest in securities issued in initial public offerings ("New Issues"). Investing in New Issues poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that BBA elects to trade New Issues on behalf of Funds, Investors that are restricted persons under applicable Financial Industry Regulatory Authority rules are not be permitted to participate or participate fully in the returns generated by those trades.

Cybersecurity

The computer systems, networks and devices used by BBA and its service providers to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Clients and their Investors could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a Client; interference with our ability to calculate the value of an investment in a Client; impediments to trading; the inability of us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a Client invests; counterparties with which a Client engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, fund administrator, prime brokers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Valuation

The Adviser is ultimately responsible for valuing the securities and other investments comprising the assets held in client accounts and the Clients. The Adviser has a written valuation policy, which provides the method for valuing the securities and other investments managed by the Adviser (the "Valuation Policy"), and regularly convenes a Valuation Committee to help ascertain the value of Client account assets. The Adviser generally values the Clients' portfolios using U.S. generally accepted accounting principles (U.S. GAAP). However, where a security is subject to lack of available price quotations, illiquid market conditions or other factors preventing immediate liquidity of the Clients' entire position, the

Adviser ultimately has the sole and absolute discretion to value such security using its best good faith estimate as to fair value. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such a public security will result in greater management fees paid, and possibly in higher incentive fees credited to, the General Partner of the Clients or to the Adviser. These risks are mitigated through the Adviser's adherence to the Valuation Policy.

Clients should note that valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Clients on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. GAAP may differ from the price at which the security may actually be sold.

Key Man

All Funds and the Managed Account are dependent upon the services of BBA's Co-Managing Members. There can be no assurance that the Co-Managing Members' services will be available for any length of time. Furthermore, the incapacity of a Co-Managing Member could have a material and adverse effect on the investment performance of a Fund or Managed Account.

It is critical that Investors and prospective Investors refer to the partnership agreement and other governing documents of the applicable Fund for a complete understanding of the material risks involved in relation to BBA's investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.

The risks described above generally also apply with respect to the Managed Account.

- C. Investments in the securities of life sciences, biotechnology, diagnostic and other health care related companies or in related assets involve a high degree of business, financial, technological and regulatory risk which can result in substantial losses. Some of these risks relate to the underlying biotechnology assets themselves, and others to the companies that manufacture or market these products, their distribution, competition and in some cases partners in manufacturing or distribution.

These risks include, but are not limited to, the following:

Portfolio Company Risks

- (i) certain companies that manufacture and/or market the products may have limited operating histories, making it difficult to assess the potential effectiveness of a company's management, and thus the likelihood of the products' commercial success;
- (ii) certain companies may not have sufficient management or marketing personnel with appropriate scientific or medical training in order to adequately produce or market these products, which may slow or impede the revenue stream generated by the product;

- (iii) the prices at which these securities in the company or its related assets will be acquired by a Fund will often be based, in part, on sales projections with respect to the underlying biotechnology products, which projections may prove to be inaccurate;
- (iv) to the extent that a Fund makes an investment in a company that is dependent on a product that has not yet received all applicable governmental approvals, there is a risk that the product will not obtain such approvals and that the product will not be able to be sold to consumers, as obtaining such approvals can often be a lengthy and expensive process the outcome of which can be uncertain;
- (v) even if all applicable governmental approvals are obtained with respect to such a product, previously unknown or undisclosed side-effects or complications relating to the product may be disclosed, resulting in a loss of market acceptance or a withdrawal of previously-granted approvals, thereby reducing or eliminating the revenue stream supporting the securities or other assets held by a Fund;
- (vi) certain of these companies may become involved in lawsuits with respect to these products, or with respect to intellectual property rights or other rights relating to them, which lawsuits may result in an inability to market these products or may otherwise impair the related revenue stream, additionally, issuers of foreign securities may not have similar protections with respect to intellectual property rights as are applied in the United States;
- (vii) in the case of any direct investments in biotechnology assets, BBA may not be successful in structuring these investments in a way that shields a Fund from liability in the event of lawsuits relating to any products or rights in which a Fund has a direct or indirect interest, thereby potentially resulting in the applicable Fund bearing such liabilities and, in such event, such Fund may suffer potentially significant losses beyond its investment;
- (viii) the prices at which these investments will be made by a Fund may be based, in part, on assumptions that a limited number of other products will compete with the relevant underlying products in the markets in which they are sold, or that the underlying products will otherwise command a pricing premium in these markets, which assumptions may prove to be inaccurate;
- (ix) some of the underlying products that drive value of a company or other asset may become obsolete;
- (x) some of the licensing agreements or other rights relating to the investments held by a Fund may be terminated;
- (xi) certain of the companies in which a Client has invested may also experience adverse impact from: (1) unanticipated delays in research and development efforts; (2) previous preclinical testing or clinical trial results that ultimately are not indicative of future clinical trial results; (3) errors in the conduct of clinical trials; (4) adverse safety findings regarding drugs; (5) clinical trial results that do not support submission of a marketing approval application for drug product candidates; (6)

reliance on third party manufacturers, collaborators, and clinical research organizations who may fail to perform according to agreed specifications; (7) inability to control the development of out-licensed drug compounds or drug candidates; (8) inability of collaborators' to develop and commercialize product candidates; (9) costs associated with prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights; (10) inability to maintain or obtain adequate product liability and other insurance coverage; (11) adverse impact of technological advances and competition; (12) inability to compete against third parties with greater resources; (13) changes in pricing and reimbursements in the markets in which they compete; (14) stronger than expected competition to develop and commercialize similar drug products; (15) inability to obtain patent protection for discoveries; (16) inability to in-license potential drug compounds or drug candidates or other technology; (17) excessive leverage; limitations on their ability to incur additional indebtedness and incur liens on their assets restricting their ability to obtain additional capital when needed; (18) cost of goods sold remaining high enough that it is difficult to achieve profitability; (19) third-party payors for drugs or diagnostics rescinding or modifying their contracts or reimbursement policies or delaying payments; (20) inability to expand as expected outside the United States; (21) failure to receive reimbursement for a drug or diagnostic under changing Medicare rules; (22) failure of physicians to prescribe a drug or diagnostic to the extent anticipated; (23) inability to obtain inputs necessary to the manufacture of a drug or diagnostic at the anticipated cost; (24) failure of information technology and telecommunications systems that are critical to their business; (25) failure to appropriately handle or dispose of biological and hazardous materials; misplaced reliance on third-party distributors; (26) difficulties in integrating legacy companies from a merger or acquisition; and, (27) inability to recruit talented personnel, including scientists;

- (xi) government policies and regulations applicable to certain of these companies or their products may change in ways that adversely affect the companies or their products' marketability and, thus, the revenue streams generated by the related assets held by a Fund; and
- (xii) investor sentiments and preferences with regard to life sciences sector investments (some of which are generally perceived as risky) may change, which may have an adverse effect on the values of the securities held by a Client in such companies.

Equity Securities

BBA invests Client assets in equity securities, and expects to hold both long and, in the case of certain Clients, short positions in such securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

Debt Securities

BBA may invest Funds' assets in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. BBA may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. BBA may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by a Client, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by the Client, although BBA will consider such event in its determination of whether the Client should continue to hold the securities.

The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, Clients may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on a Client's ability to dispose of such securities and may make it more difficult for a Client to obtain accurate market quotations for purposes of valuing such Client and calculating the value of its net assets.

Convertible Securities

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, invest in convertible securities. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates, as do bonds, in relation to changes in interest rates and, in addition, fluctuates in relation to the underlying common stock. A Fund's investments in fixed income obligations, including convertibles securities, are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk).

Foreign Securities

Clients, subject in the case of certain Client to limitations set forth in such Clients' limited partnership agreements or other governing documents, invest in securities and other instruments of foreign corporations and foreign countries. Investing in such securities involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things: political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency

conversion; imposition of withholdings and other taxes; and certain government policies that may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation generally, of the securities markets in many foreign countries than in the U.S.

Asset-Backed Securities and Royalty Streams

Funds may invest in asset-backed securities, including securities backed by royalty streams on drugs under development or already commercialized. These securities may be in the form of pass-through instruments or asset-backed obligations. The securities generally carry no direct or indirect government guarantee, and are subject to the risks that the benefit of a security interest in the related collateral may be subject to legal challenge.

Derivatives

Funds invest in derivative financial instruments. Derivative financial instruments include warrants, futures, options, interest rate and equity swaps, total return swaps, forward currency contracts and credit derivatives such as credit default swaps. In addition, Funds from time to time utilize both exchange-traded and over-the-counter futures, options and contracts, as part of their investment strategy and for hedging purposes, as well as other derivatives. Regulatory restraints can restrict the instruments that a Fund may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract can result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Although BBA does not currently engage in significant trading of over-the-counter derivatives, such trading, to the extent engaged in, would subject a Fund to a variety of risks including: (i) counterparty risk, (ii) basis risk, (iii) interest rate risk, (iv) settlement risk, (v) legal risk, and (vi) operational risk. Counterparty risk is the risk that one of a Fund's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to

liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

From time to time BBA negotiates bilateral derivatives with issuers that restrict the ability to fully exercise derivative securities at one time for certain regulatory purposes. If a court does not give effect to these limitations, the Funds may be subject to unanticipated liabilities. Additionally, the restrictions on exercise may result in the derivatives not providing the anticipated value or BBA's business purposes otherwise hindered.

Warrants

The Funds engage in the trading of warrants and contingent value rights. These financial instruments can give rise to off-balance sheet market risk. Risk arises from changes in market values of the underlying instruments. Warrants that the Funds acquire commonly contain restrictions on exercise based on BBA's aggregate ownership. These warrants may be exercised over time and the underlying securities could then be sold. If the ability to exercise were disrupted, the Funds may not be able to receive the full value of the securities underlying the warrants.

Options

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Call Options

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the use of call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. However, if the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

Put Options

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the use of put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the short position for values of the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. However, if the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Small Companies

BBA's strategy includes significant investments in small companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of trading in such companies' securities may be substantially less than is typical of larger companies. As a result, investments in smaller companies may be subject to wider price fluctuations.

Illiquid Investments

The Funds, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, acquire the securities of privately-held companies or other illiquid investments. Such investments are generally difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. In that event, BBA's ability to respond to market movements may be impaired and the Funds may experience adverse price movements.

A Fund's participation in such illiquid investments may significantly restrict the ability of an Investor to make withdrawals. An Investor may be required to continue to participate in such investments irrespective of whether such Investor has withdrawn the balance of its capital accounts available for withdrawal, and the Fund may be required to hold such investments indefinitely, even if such investments become completely illiquid or unprofitable.

Venture Capital Investments

Funds may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, make venture capital investments. Such investments involve a high degree of business and financial risk that can result in

substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history; (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period; and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

Such private investments will generally be separately accounted for in their respective Funds and only existing limited partners at the time of such investments will be allocated gains or debited losses associated with such investments (which may result in certain limited partners being indirectly invested to a greater degree in such private investments than other limited partners in the same Funds).

Control Positions

Certain Funds in limited circumstances may take control positions in companies. The exercise of control over an issuer imposes risks of liability for environmental damage, product defects, failure to supervise management, indirect securities liability and other types of related liability. If such liabilities were to occur, the applicable Fund likely would suffer losses in such investments, especially if the Funds were deemed to be “control persons.”

In addition, the Funds will take some positions that exceed 10% of the voting shares of a company or in which employees of BBA serve on the Board of Directors of the company or in which the market value of the Fund’s position in the company exceeds certain thresholds required for notice under the Hart-Scott-Rodino (“HSR”) Act premerger notification program. In some cases these positions may be in private companies. As a result of such positions, the Funds are subject to various U.S. and non-U.S. regulatory and legal requirements which can limit the Funds’ ability to transact in the securities of the issuing company.

Special Purchase Acquisition Companies

A Fund may, in limited circumstances and subject in the case of certain Funds to limitations set forth in such Funds’ limited partnership agreements or other governing documents, invest in the securities of a special purpose acquisition company (“SPAC”). SPACs are companies that have no operations, but intend to merge with, acquire or otherwise invest in another company. Investing in such securities involves considerations not usually associated with investing in securities of other types of companies, including, among other risks, the risk that a SPAC may not complete an investment in another company and be forced to liquidate its assets at a loss to the Funds. Additionally, the ability to resell the securities of an SPAC is limited both before and after completion of the business combination as compared to ordinary public companies.

Custody and Prime Brokerage Risk

There are risks involved in dealing with the custodians or prime brokers who settle Clients’ trades.

A Client's cash and securities held by prime brokers may be used by a prime broker in the course of its investment business, and the Client will therefore rank as one of such prime broker's unsecured creditors in relation thereto or in relation to the Client's right to the return of equivalent assets. In the event of an insolvency of such prime broker, the Client might not be able to recover such equivalent assets in full.

Although BBA monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers or any other custodian that a Client may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, it is likely that, in the event of a failure of a broker-dealer that has custody of a Client's assets, such Client would incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

A Client and/or any of the prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The prime brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by a Client as a result of the bankruptcy or insolvency of any such sub-custodian. A Client may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a client by a custodian may not be available to the Client. Under certain circumstances, including certain transactions where a Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where a Client's assets are held at a transfer agent or non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Client and hence the Client could be exposed to a credit risk with regard to such parties.

Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of a Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Client may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing a Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Securities Lending

Some of the securities held by a Fund may be pledged as collateral for margin accounts, which subjects that Fund to the risk of sales of securities forced by a determination by a credit-provider that such Fund has insufficient assets pledged as collateral against the credit extended. A Fund also may engage in programs of securities lending. To the extent a Fund engages in securities lending, there may be risks of delay and costs involved in the recovery

of securities or even losses should the borrower of the securities have financial difficulty or otherwise fail to meet its obligations under the securities lending arrangement.

While a Fund is expected to receive collateral in connection with the lending of securities, there is the risk that the price of the securities could increase while they are on loan and that the collateral will be inadequate to cover their value. In general, it is expected that a Fund's securities lending agents will seek to consider all relevant facts and circumstances, including the creditworthiness of the broker, dealer or other borrower, in making decisions with respect to the lending of securities, although this cannot be assured.

Investments in Troubled or Highly Leveraged Companies

Funds may invest in securities of financially troubled companies or companies involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and securities of highly leveraged companies. While these investments may offer the potential for high returns, they also carry correspondingly greater risks. Under certain circumstances, payments to a Fund from an investment may be reclaimed if any such payment is later determined in a bankruptcy proceeding to have been a preferential payment.

Distressed Investments

Certain Clients may invest in distressed companies. Distressed investments generally entail greater risks due to such things as sensitivity to general economic and capital market conditions, interest rates, risks associated with leveraged companies and risks inherent in investing in companies experiencing financial and operating distress (e.g., issuer credit risk). Distressed investments generally have very low credit ratings or are unrated by credit rating agencies.

Accounting Standards

Subject in the case of certain Clients to limitations set forth in such Funds' limited partnership agreements or Clients' other governing documents, some Clients may invest in securities issued by companies located in countries where generally accepted accounting standards and practices differ significantly from those practiced in the United States. The evaluation of potential investments and the ability to perform due diligence may be affected. The financial information appearing on the financial statements of a company operating in one or more countries outside the United States may not reflect its financial position or results of operations in the way that they would be reflected if the financial statements had been prepared in accordance with U.S. Generally Accepted Accounting Principles.

The risks described above generally also apply with respect to the Managed Accounts.

Item 9 – Disciplinary Information

There have been no legal or disciplinary events involving either BBA or any of its management persons that BBA believes would be material to an Investor's (client's) or prospective investor's evaluation of BBA's advisory business or the integrity of BBA's management.

Item 10 – Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

BBA and its *management persons* are not registered as broker-dealers and do not have any application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Status

BBA and its management persons are not registered and do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Material Relationships

BBA serves as the investment manager to the Clients.

Certain affiliates of BBA serve as the General Partners of the Funds.

The General Partners, BBA and their affiliates may have conflicts of interest in allocating their time, services and functions among the Clients and other business ventures. In an effort to minimize potential conflicts of interest, BBA has adopted a Code of Ethics that requires BBA's employees to act in the best interests of the Clients at all times. For more information see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, below.

D. Material Conflicts of Interest Relating to Other Investment Advisers

BBA does not recommend or select other investment advisers for its Clients and does not receive compensation directly or indirectly from other advisers nor does it have other business relationships with advisers.

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

A. Code of Ethics

BBA has adopted a Code of Ethics (the “Code”), which is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). The Code applies to all of BBA’s employees and sets forth a standard of business conduct that takes into account BBA’s status as a fiduciary. The Code describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s employees act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. BBA’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws or of the Code by BBA or its employees.

The Code also contains BBA’s insider trading policies and procedures, which are designed to prevent the misuse of material non-public information by BBA and its officers, directors and employees. In accordance with these policies, to prevent trading of public securities based on material, non-public information, BBA maintains, regularly updates and makes available to its employees a “restricted” securities list. Public companies about which BBA has or is expected to have, material, non-public information are generally placed on the restricted list. While an issuer is on the restricted list, BBA and each person subject to the insider trading policy is generally prohibited from purchasing, selling or recommending the purchase or sale of that issuer’s securities in personal accounts and Client accounts.

The Funds’ Limited Partnership Agreements contemplate the possibility of the Partnership making in-kind distribution of securities to the Funds’ Limited Partners and General Partner. BBA employees who are recipients of certain of these in-kind distributions of securities have established LLCs for these securities, until such time as it would be appropriate for the employees to individually receive them and be permitted to dispose of them. By policy, these LLCs do not transact in or vote the securities.

In addition, BBA’s employees must provide BBA’s Chief Compliance Officer with reporting as to their personal accounts and securities transactions.

The Code also includes a requirement that employees pre-clear certain charitable contributions. BBA, our employees and charitable foundations operated by certain of our employees make donations to charitable organizations. Some of these donations are to organizations that are investors in the Clients that we advise.

The Code also seeks to ensure the protection of non-public information about the activities of the Clients.

All of BBA's employees are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.

Investors may obtain a copy of BBA's Code upon request to Scott Lessing, President, Baker Bros. Advisors, 860 Washington Street, 3rd Floor, New York, NY 10014.

B. Securities in Which the Adviser or a Related Person Has a Material Financial Interest or Securities Issued by Companies With Which the Adviser or a Related Person Has a Close Personal Relationship With the Companies' Management, Which Could Create the Appearance of a Potential Conflict of Interest

From time to time, consistent with the Clients' governing documents and applicable law, BBA has recommended that one or more Clients acquire or sell an investment in which BBA or a BBA employee has a pre-existing direct or indirect interest or with which the Adviser or a Related Person has a close personal relationship with the companies' management, which could create the appearance of a potential conflict of interest. A potential conflict of interest could arise in that BBA or the interested employee could benefit from such a purchase or sale of the applicable investment by such Client(s). However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that BBA fulfills its role as a fiduciary to its Clients.

BBA has caused, and in the future may again cause, a Fund to buy or sell securities directly from or to another Fund, although such internal cross transactions occur infrequently. With respect to any such transaction: (i) the transaction must be effected at a price that is fair to clients on both sides of the trade; (ii) neither BBA nor any of its affiliates may receive any compensation for effecting the trade; and (iii) BBA must believe the trade is in the best interests of both Funds.

The fact that BBA or its related persons, in their capacities as General Partners (or equity owners of such General Partners) of, or advisers to, certain Funds, have financial interests in Funds creates a potential conflict in that it could cause BBA to make different investment decisions than if such parties did not have such financial ownership interests. In particular, performance-based compensation may create an incentive for BBA to make investment decisions that may differ from decisions that may be made in the absence of such performance-based compensation, including decisions that are riskier or less risky than would be made in the absence of such performance-based compensation. BBA manages this potential conflict through regular monitoring of the Client portfolios to ensure consistency with Client objectives and disclosures, as more fully set forth in Item 13.A below.

BBA recognizes such potential conflicts of interest and addresses them through its Allocation and Aggregation policies, which can be found in its compliance manual. Further, the Code sets forth a fiduciary standard that requires Access Persons to act in the best interests of the Clients. Access Persons are required to acknowledge receipt of the Code and agree to abide by its terms.

Certain of the Funds have invested, and may again in the future invest, in private companies with which a Related Person of BBA has a close personal relationship with the management of that company. When BBA deems the relationship to be close enough to create the appearance of a potential conflict of interest, BBA has in the past, and will continue to, inform investors in the investing Funds of the relationship and allow investors to opt out of the private investment if they choose to do so.

C. Investing in Securities that the BBA or a Related Person Recommends to Clients

BBA employees are permitted to make securities transactions in their personal accounts but are generally prohibited from trading in securities that the Firm is actively trading on behalf of the Clients, subject to exceptions when in the judgment of the Firm's Chief Compliance Officer or Compliance Counsel such personal trading would in no way take (or create the appearance of taking) an opportunity away from a Client, nor create any incentives that might distort the employee's judgment in the performance of his duties on behalf of Clients, nor be in actual or perceived conflict with the direction in which any applicable Client is trading, nor personally benefit a BBA employee based on non-public knowledge of BBA's future trading activity (even if not taking away an opportunity from a Client).

In addition, BBA employees, under certain circumstances, are permitted to trade alongside a Client, provided that such trades are executed in the same direction as such Client's trade, for a price that is no better than the price received by the Client, and that no adverse consequences or loss of opportunity for the Client can be construed from such trade. Any such trade must be approved by the Chief Compliance Officer or Compliance Counsel prior to execution, or, if the Chief Compliance Officer is making the request, by another senior BBA officer.

Personal securities trading by BBA employees presents potential conflicts in that an employee could make improper use of information regarding a Client's holdings or future transactions or research paid for by the Clients. BBA addresses this potential conflict by adhering to the policies set forth in the Code and elsewhere in its compliance manual, including those described below.

Employees must receive pre-clearance from the Firm's Chief Compliance Officer or Compliance Counsel (typically at least five days in advance) prior to any securities transaction in a company whose predominant business is health care. BBA also generally requires a minimum 60-day holding period for any securities whose predominant business is health care acquired by an employee, subject to exceptions under certain circumstances. BBA monitors adherence to the personal trading policy by regularly reviewing the activity in employee trading accounts. BBA reviews personal account transactions with the approved trades list to ensure that all executed trades directed by BBA employees in single names in health care were pre-approved. To help facilitate this review and abide by applicable law, employees must arrange to have their holdings and transaction information feed electronically to the Firm's ComplySci data feed, or provide online access to holdings and transaction information; or provide duplicates of certain brokerage statements and trade confirmations to the Firm for all accounts that hold and/or transact in Reportable Securities.

BBA's Code of Ethics also maintains policies and procedures to prevent insider trading that are designed to prevent the misuse of material, non-public information. BBA's personnel are required to certify annually their compliance with the Code of Ethics.

D. Conflicts of Interest Created by Contemporaneous Trading

At times BBA recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that BBA or its related persons buys or sells the same securities for BBA's (or the related person's own) account. Please refer to Items 11.A, 11.B, and 11.C above, for a description of BBA's practice and the conflicts of interest that arise, as well as how BBA addresses conflicts that arise.

Item 12 – Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

1. Research and Other Soft Dollar Benefits

BBA has authority for selecting the broker-dealer used in each transaction for Clients and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. BBA will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker. Commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. In choosing brokers and dealers, BBA is not required to consider any particular criteria. Generally, BBA seeks the best combination of brokerage expenses and execution quality but, as discussed below, BBA is not required to solicit competitive bids for execution services or to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers.

In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction related compensation) on other transactions is a principal factor, but other factors are also relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability, responsiveness and financial stability of the broker dealer; the size of the transaction; availability of securities to borrow for short sales; ability to execute transactions in liquid and illiquid markets at competitive prices without disrupting the market for a particular security, range of services provided and products offered (including research and brokerage services), quality and timeliness of market information provided, ability to maintain confidentiality, creditworthiness and financial responsibility and the market for the security.

In addition to execution quality, BBA may consider whether a broker or dealer may assist in arranging the opportunity to meet with the management of companies in which BBA has invested or is considering investing on behalf of the Funds, or to third-party medical or scientific experts and research services provided by the broker or dealer. Clients may pay commissions or spreads to such firms in an amount greater than the amount another firm might charge.

In addition to execution quality and access to management, BBA may consider the value of various research products or services that a broker-dealer provides to Clients or BBA. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because such research products or services could benefit BBA or its affiliates, BBA is subject to a conflict of interest in allocating Client brokerage business. BBA currently maintains one formalized “soft dollar” arrangement with a broker-dealer, who aggregates and manages soft dollars for

BBA, which BBA then uses exclusively for the Funds' benefit to pay for research services. The broker-dealer pays certain of BBA's third party research expenses, certain broker research expenses, as well as Bloomberg subscription market data and execution services expenses directly out of commission credits generated to BBA's account. BBA's use of "soft dollars" is within the parameters of Section 28(e) of the Securities Exchange Act of 1934 and any "soft dollar" products will generally be shared proportionally by all Clients.²

Because BBA uses its research to analyze investment opportunities for all BBA advised Funds, all BBA advised Funds may benefit directly or indirectly, immediately or over time, from research provided or paid for with soft dollars. BBA causes Clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. BBA does not attempt to allocate the benefits of soft dollars among BBA advised Clients in proportion to the trades that generate the soft dollars. Consequently, soft dollars generated by any one of the BBA advised Clients will pay for products and services the exclusive, primary, disproportional or immediate benefit of which will inure to one or more of the other BBA advised Funds. In such cases, certain clients will obtain a disproportionate benefit in soft dollar paid research and/or services compared to the amount of soft dollars they generate, or vice versa.

On a quarterly basis, BBA's Trading Committee, including the Chief Compliance Officer, reviews the quality of BBA's execution and the effectiveness of its order execution arrangements and execution policy. Such reviews include a thorough analysis of the services provided by each broker-dealer.

From time to time trade errors may occur with respect to transactions made on behalf of Clients. The Clients generally bear the costs of correcting these trade errors unless they are attributable to gross negligence of BBA or its employees.

2. Brokerage for Client Referrals

BBA does not utilize any broker-dealers or third parties to solicit client referrals.

3. Directed Brokerage

BBA does not have any directed brokerage arrangements.

B. Order Aggregation and Allocation

Upon a determination to buy or sell the same security on behalf of more than one Client (based upon the investment mandates of such Clients), BBA will generally aggregate trades, subject to best execution and BBA's guidelines with respect to which broker-dealers may be

² An immaterial amount of soft dollar payments may on occasion be used to pay for "non-research" services, in which case the Clients are credited for those payments.

utilized. BBA believes that aggregating orders generally leads to a more favorable price for Clients. BBA seeks to aggregate orders and allocate investment opportunities in a manner which is in the best interest of all Clients. BBA owes each Client a duty of loyalty and a duty to act in the Client's best interest. Accordingly, under no circumstances will BBA unfairly favor one Client over another. However, although BBA generally seeks to allocate investment purchases on a *pro rata* basis based on the size of each Client account, the allocation of an investment purchase may be adjusted based on relevant circumstances. Typically, but not always, investment sales are allocated on current holdings. BBA is not obligated to purchase or sell for each Client every security which it may purchase or sell for other Clients, as some transactions or investments may appear unsuitable, impractical or undesirable for a Client. In addition, certain securities are not permitted to be purchased or held by certain Clients. Accordingly, there are situations where investment opportunities are allocated on a basis other than *pro rata* among all Clients based upon assets under management.

Allocations may be made on a basis other than *pro rata* based upon assets under management for a variety of other factors relating to a given Client or Clients, including, without limitation: the investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; portfolio concentration; participation in prior investments in the same issuer, and liquidity considerations, among others.

BBA has implemented additional controls to further its efforts to treat all Clients fairly, regardless of their corresponding fee-structure. In particular, BBA periodically reviews its trade allocations and records the allocation methodology for each trade.

Notwithstanding any of the foregoing, BBA, to the extent within its control, will act in a manner that it believes over the long term is fair and equitable to all of its Clients.

Item 13 – Review of Accounts

A. Frequency and Nature of Review of Client Accounts

BBA's Investment and Risk Management Committee (currently comprised of BBA's Managing Members) meets at least quarterly to review the portfolio status and activity of the Clients and to consider whether the portfolio should change investments and capital allocation based on various factors, which may include, but are not limited to, changes in company fundamentals, key industry personnel, scientific and medical developments, news and press releases, general market conditions and assessment of the financial consequences of particular events derived from general information or such other material as is appropriate under the particular circumstances. BBA's Trading and Operations Committee (currently comprised of BBA's President and Chief Compliance Officer, Trader, and Chief Financial Officer) meets at least monthly to ensure that the portfolios of each Client are consistent with applicable investment objectives and restrictions. BBA's investment team meets at least monthly to discuss existing portfolio positions, prospective portfolio positions, industry developments, scientific developments, overall market themes, and to provide input to BBA's Investment Management and Risk Committee. Material changes in market conditions, industry outlook, market outlook, price levels, or portfolio company fundamentals may trigger an other than periodic review of Client accounts.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

Please see Item 13.A, above for a description of the factors that trigger an other than periodic review.

C. Content and Frequency of Account Reporting to Clients

Investors in the Funds generally receive unaudited monthly or quarterly written reports describing the performance of such Funds and annual reports containing audited financial statements and other indicia of performance. Investors in the Managed Account receive such reports as are agreed with the applicable Clients on a case-by-case basis.

Item 14 – Client Referrals and other Compensation

A. Economic Benefit for Providing Services to Clients

BBA does not receive an economic benefit from anyone, other than a client, for providing investment advice or other advisory services to BBA Clients.

B. Compensations to Non-Supervised Persons for Client Referrals

BBA and its related persons do not, directly or indirectly compensates any person who is not a BBA supervised person for client referrals.

Item 15 – Custody

BBA and the General Partners are deemed to have custody of the assets of the Clients, by virtue of their status as investment manager or general partner, respectively, under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”). Neither BBA nor the General Partners have actual physical custody of any Client’s assets, rather, all such assets are held in the name of each applicable Client by an independent qualified custodian. At times when BBA participates in a financing, there can be a delay in the time that the physical restricted shares are delivered from the transfer agent to the qualified custodian, or in the case of electronic book entry securities, there may be a delay in the posting to the respective Funds’ account at the transfer agent. Investors in the Clients will not receive statements from any prime broker or custodian. Instead, the Clients are subject to an annual audit by an independent public accountant that is registered with the PCAOB and audited financial statements are distributed to each Investor. The audited financial statements will be prepared in accordance with U.S. GAAP and distributed within 120 days of each Clients’ fiscal year end.

BBA does not usually maintain physical custody of the Funds’ cash or securities. However, in connection with certain private placements, at the direction of the issuer of those securities, the securities may be custodied with the issuer(s) or with the issuer’s designee (i.e. transfer agent). These types of securities are always restricted securities and when the restrictions are removed they are then eligible to be transferred for custody to one of the Funds’ prime brokers.

Item 16 – Investment Discretion

BBA has discretionary authority to manage the assets of the Clients, subject, in the case of certain Clients, to certain concentration and other limitations on the amounts of certain types of investments that such Clients may make, as more fully provided in such Clients' governing documents and/or limited partnership agreements (in the case of the Funds) and management agreements. Subject to the applicable concentration and other limits, BBA is generally authorized to make all purchase and sale decisions for the Clients and Investors do not have the ability to impose limitations on BBA's discretionary authority.

The limited partnership agreements of the Funds generally contain a power of attorney that grants to the General Partners certain powers related to the orderly administration of the affairs of the applicable Fund.

Please see Item 4 for additional information regarding BBA's advisory services.

Item 17 – Voting Client Securities

From time to time, an issuer of an equity security that is owned by a Fund will conduct a proxy solicitation of its shareholders to vote on various matters. As a general matter, the operative agreements between BBA and its Funds delegate the power to vote such proxies to BBA.

BBA will vote proxies in the best interests of each particular client. BBA also reserves the right not to vote such client securities if it reasonably determines that not voting on the matter will not have a negative impact on Funds' interests. BBA will abstain from voting on a matter where the cost of assessing its vote outweighs the benefit to its Funds, which is typically the case where (a) BBA's aggregate interest in the company represents less than 3% of BBA's net asset value in the company and (b) BBA's aggregate interest represents less than 10% of the voting interest in the company.

In cases where a BBA employee is on the board of directors of a Fund portfolio company, BBA will almost always vote in favor of all of the items on that company's proxy ballot.

If a BBA employee becomes aware that a conflict (or potential conflict) exists between the interests of BBA and a Fund with respect to a proxy vote, the employee must bring the conflict to the attention of the Chief Compliance Officer, who will determine the appropriate course of action.

BBA has retained Broadridge's ProxyEdge service to assist it in voting certain proxies with respect to Fund securities. The Chief Compliance Officer or Compliance Counsel periodically reviews the third party to assure that all proxies are being properly voted and appropriate records are being retained.

Investors may obtain a copy of BBA's proxy voting policies and procedures, as well as the manner in which proxy votes have been cast on behalf of Clients, by request to Scott Lessing, President, Baker Bros. Advisors, 860 Washington Street, 3rd Floor, New York, NY 10014.

BBA will direct client participation in class actions. BBA has engaged a class action service provider to assist in filing of class action claims and collection/recovery where applicable. The President/Chief Compliance Officer will determine whether Clients will (a) participate in a recovery achieved through a class action; or (b) opt out of the class action and separately pursue their own remedy. However, BBA will only participate in class actions where there is an expected material financial benefit to BBA Clients.

As discussed above, BBA has authority to vote Client securities.

Item 18 – Financial Information

BBA is not required to include a balance sheet for its most recent fiscal year as it does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Client, and has not been the subject of a bankruptcy petition at any time during the past ten years.