

ADV PART 2A: INVESTMENT ADVISER BROCHURE

VARSITY MANAGEMENT COMPANY, LP

ITEM 1: COVER PAGE

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Varsity Management Company, LP (“Varsity Management” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (310) 564-2690. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding Varsity Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

The Adviser filed its prior annual amendment to the Brochure in March 2019. This annual amendment to the Brochure updates the Adviser's fund information and assets under management. The Adviser has not undergone any other material changes since its last amendment to the Brochure.

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ITEM 4: ADVISORY BUSINESS

Varsity Management Company, LP, a Delaware limited partnership, is a registered investment adviser commonly known, along with its affiliates, as “**Varsity Healthcare Partners**” and provides, through its affiliated investment advisers, investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Varsity Management commenced operations in February 2014.

Varsity Management’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which Varsity Management or its affiliates provide investment advisory services, the “**Funds**”):

- Varsity Healthcare Partners II, LP; and
- Varsity Healthcare Partners II-A, LP (together with Varsity Healthcare Partners II, LP, “**VHP II**”).
- Varsity Healthcare Partners III, LP; and
- Varsity Healthcare Partners III-A, LP (together with Varsity Healthcare Partners III, LP, “**VHP III**”).

The following general partner entities are affiliated with Varsity Management:

- Varsity Healthcare Partners GP II, LP (“**VHP II GP**”)
- Varsity Healthcare Partners GP III, LP (“**VHP III GP**”)

(VHP II GP and VHP III GP each, a “**General Partner**,” and collectively with Varsity Management and their affiliated advisory entities, the “**Advisers**” or “**VHP**”).

Each General Partner is subject to the Advisers Act pursuant to Varsity Management’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with Varsity Management.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**”. VHP’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of VHP or its affiliates generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

VHP’s advisory services for the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”) and are further described

below under “Methods of Analysis, Investment Strategies and Risk of Loss”. Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances to the extent permitted under the relevant Partnership Agreement. The Funds or the General Partners generally expect to enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, VHP expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, VHP personnel and/or certain other persons associated with VHP and/or its affiliates. Such co-investments are typically expected to involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, it is expected that a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle is generally expected to occur shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and it is expected that the co-investor or co-invest vehicle may be charged interest on the purchase (or otherwise equitably to adjust the purchase price under certain conditions) to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2019, VHP managed approximately \$825,000,000 in client assets on a discretionary basis. The general partner of Varsity Management is Varsity Management Company GP, LLC, which is principally owned by David Alpern and Kenton Rosenberry.

ITEM 5: FEES AND COMPENSATION

In general, VHP receives a management fee and a carried interest in connection with advisory services. The Advisers or other VHP entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to the Advisers or such other VHP entities or affiliates in accordance with the relevant governing documents. Investors in a Fund also bear certain expenses.

Management Fees

Each Fund will pay the Advisers, quarterly in advance, a management fee (the “**Management Fee**”) equal to 2.0% on an annual basis of each Fund’s aggregate investor capital commitments (“**Commitments**”). Investors participating in a closing after the date of the initial closing bear the Management Fee from the date of such initial closing. Upon the earlier to occur of (i) the expiration of the investment period for each Fund (ii) the date the Advisers or their affiliates first receive or begin to accrue management fees with respect to a new equity investment fund with objectives, strategy and scope substantially similar to those of each Fund, the commencement of which was restricted by each Fund’s Partnership Agreement, and (iii) the date six months after a cessation event under each Fund’s Partnership Agreement, the Management Fee will be reduced and will equal 2.0% of (a) the aggregate funded Commitments with respect to investments that have not been disposed of, as reduced by (b) the aggregate amount of any permanent write downs required under each Fund’s Partnership Agreement. The Management Fee will be payable for each Fund until all portfolio investments are distributed or until the Advisers’ relationship with the Fund is terminated for other reasons (as described in the relevant Partnership Agreement). Installments of the Management Fee payable for any period other than a full three-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee payable in any quarterly period, after giving effect to any waived Management Fees, will be reduced by 100% of each Fund’s non-affiliate share of all (i) directors’ fees, financial consulting fees or advisory fees paid to the Advisers with respect to any Fund investment, (ii) transaction fees paid to the Advisers with respect to any Fund investment, and (iii) break-up fees with respect to Fund transactions not completed that are paid to the Adviser, in each case net of certain expenses (including those described below) as set forth in the applicable Partnership Agreement (the “**Transactional Fees**”); but such Transactional Fees will not include, in any event, any amount received by the Advisers, Executive Advisors (as defined below) or any other person from a portfolio company (A) as reimbursement for expenses directly related to such portfolio company; (B) as compensation for services provided by Adviser personnel or any other person as an employee of or in a similar capacity for such portfolio company to the extent (with respect to any person that is an employee of the Management Company (excluding Executive Advisors)) the Management Company hires a replacement for such person. The General Partner intends to notify the Advisory Board if it excludes amounts from Transactional Fees pursuant to item (B); or (C) as compensation, including fees, carried interest, incentive equity or other stock awards, for services rendered by Executive Advisors to a portfolio company or prospective portfolio company.

As a matter of practice, VHP is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Similarly, in certain circumstances, co-investors or other parties have negotiated the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons.

Additionally, as further described below and in the applicable Memorandum, the Advisers intend to retain or employ, either directly or through an affiliated entity, certain non-investment professionals (“**Executive Advisors**”) primarily to provide services to (or with respect to) one or more Funds or certain portfolio companies in which one or more Funds invest. Executive Advisors are expected to receive compensation, including, but not limited to fees, carried interest, incentive equity or other stock awards from the relevant portfolio companies or Funds to which they provide services, and such compensation will not result in additional offsets to the Management Fee.

Certain Partnership Agreements permit an Adviser to waive or agree to reduce the Management Fee in exchange for a reduction in such Adviser’s cash capital contribution obligation to the applicable Fund and/or a corresponding interest in Fund profits. The limited partners (or similar members) of such Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the applicable Adviser in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by the Advisers and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to the Advisers.

Carried Interest

The Advisers will receive a carried interest with respect to each Fund equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in each Fund’s Partnership Agreement. The carried interest distributed to the Advisers is subject to a potential giveback at the end of life of each Fund if the Advisers have received excess cumulative distributions and at certain interim intervals as provided in the Partnership Agreement.

Other Information

The Advisers are permitted, in their sole discretion, to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including the Advisers and any other person designated by the Advisers. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the relevant Adviser and/or its affiliates,

or through other Funds which co-invest with a Fund. For example, in instances where an Adviser's professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant governing documents, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

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

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

In addition to the Management Fee and carried interest payable to the Advisers, each Fund bears certain expenses. As set forth more fully in the applicable Partnership Agreement of each Fund, a Fund bears certain costs, expenses, liabilities and obligations relating to such Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, as applicable.

The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Advisers and/or their affiliates. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with managing, originating and monitoring investments, including rent, utilities and other similar expenses specified in the Partnership Agreements. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices".

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

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to VHP's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction

for which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

VHP and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Advisers and/or their affiliates on the other hand.

Executive Advisors

Additionally, as further described herein and in the applicable Memorandum, the Advisers have retained or employed, either directly or through an affiliated entity, Executive Advisors to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Executive Advisors generally are expected to provide manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, or similar services to one or more Funds or certain current or prospective portfolio companies. These services may also include serving in management or policy-making positions for portfolio companies. Additionally, certain Executive Advisors are expected to, from time to time, participate in meetings of VHP's investment or other committees to, among other things, provide feedback and operational insight regarding a prospective portfolio company and to help ensure coordination between such Executive Advisor(s) and VHP's investment team in constructing an operating plan for a given portfolio company. Any Executive Advisors retained or employed, either directly or through an affiliated entity, are expected to receive compensation, including, but not limited to fees, carried interest, incentive equity or other stock awards, which typically is determined according to one or more methods, including the value of the time of such Executive Advisors and/or amounts charged by other providers for comparable services. Executive Advisors also generally will be reimbursed for certain travel and other costs in connection with their services. No such compensation will offset the Management Fee. Any use of Executive Advisors is expected to subject the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the Advisers receive a carried interest allocation on certain realized profits in the Funds. VHP does not advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain affiliated partners as described under “Fees and Compensation”.

The existence of performance-based compensation has the potential to create an incentive for the Advisers to make more speculative investments on behalf of a Fund than they would otherwise make in the absence of such arrangement, although VHP generally considers performance-based compensation to better align its interests with those of its investors.

To seek to address these conflicts of interest, the Advisers have implemented policies and procedures in an effort to ensure that all Funds receive equitable and fair treatment over time with respect to the allocation of investment and redemption opportunities.

ITEM 7: TYPES OF CLIENTS

The Advisers provide investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of VHP and its affiliates and members of their families, Executive Advisors or other service providers retained by VHP.

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

The Funds generally have a minimum investment amount of \$10 million for third-party investors, and interests in the Funds are offered and sold solely to accredited investors who are also qualified clients. Such minimum investment amount may be waived by the Advisers.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

VHP is a private investment firm which seeks, through a thematic, research-driven approach, to identify multi-site healthcare providers addressing fundamental problems (*i.e.*, cost, quality or access) in the healthcare sector. Once an investment has been identified, VHP seeks to partner with such company, utilizing a proprietary, hands-on and replicable playbook to professionalize the business and effectuate a period of accelerated growth through an aggressive buy and build strategy. VHP's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted in certain circumstances.

There can be no assurance that VHP will achieve the investment objectives of any Fund and a loss of investment is possible.

Investment and Operating Strategies

Subsector Selection and Sourcing. VHP utilizes a coordinated and structured approach to identifying attractive healthcare subsectors. VHP expects to hold an offsite meeting annually where all members of the investment team are required to come prepared with recommendations for interesting healthcare verticals. Team members conduct a significant amount of advance industry research and prepare white papers on their findings. VHP then, through an intense open discussion, expects to select a few of the most interesting ideas to conduct an extensive primary investigation. Primary investigation typically involves developing a broad list and connecting with potential targets, identifying and communicating with industry executives, connecting with experienced intermediaries and consultants and understanding the regulatory and reimbursement environment. VHP conducts primary research internally, but also often leverages third-party calling resources to extend its reach. Target subsectors are consistently reevaluated as more information becomes available.

Sector Criteria. VHP generally looks for specific criteria when evaluating target healthcare providers:

- *Problem solving subsectors.* VHP focuses on subsectors that solve a problem for the healthcare economy such as reducing costs, enhancing quality and outcomes or increasing access to underserved markets.
- *Large, fragmented subsectors.* VHP seeks to execute a buy and build strategy and focuses on large and highly fragmented healthcare subsectors which it believes are ripe for consolidation.
- *Sustainable market growth.* VHP seeks sectors with stable reimbursement environments and strong secular growth trends.

- *Non-discretionary patient spend.* VHP is focused on subsectors that are truly medical in nature and therefore are not subject to changes in economic or personal preference cycles.
- *Opportunity to execute an aggressive consolidation strategy.* VHP seeks to acquire platforms suitable to grow via acquisitions.

Platform Criteria. In addition to strict sector criteria, VHP seeks very specific attributes for its platform investments.

- *First round of institutional capital.* VHP seeks to partner with founders and entrepreneurs who value the Firm's hands-on playbook and experience to professionalize and aggressively grow businesses.
- *Control investment with significant founder rollover.* VHP believes significant founder equity rollover is critical not only to ensure aligned financial and strategic incentives but also to effectively implement change given a founder's influence over the organization.
- *Disciplined purchase prices.* VHP seeks reasonable entry valuations understanding the initial cost of professionalization.
- *Low initial leverage.* VHP believes it is critical to initially capitalize a platform conservatively, while considering the initial costs of professionalization and the need for future debt capital, in order to execute an aggressive consolidation strategy.
- *Diversified service mix.* VHP believes that multiple revenue sources and diversity of services provide for multiple avenues of growth while minimizing the impact of a potential reimbursement change to a particular service.
- *Diversified payor mix.* VHP believes that payor diversification mitigates potential reimbursement changes to a particular service by any one payor.
- *Low provider turnover.* As providers are the primary asset, VHP believes that low turnover is critical to the sustainability of a provider business and conveys a lot about the quality of an organization in terms of culture, economic opportunity and support services to the provider.
- *Established track record of regulatory and clinical compliance.* VHP spends a significant amount of time and money in due diligence ensuring an established track record of compliance, including intense medical chart reviews to ensure medical necessity and appropriate billing, as well as proper compliance procedures and documentation.

Value Creation. VHP seeks to employ a hands-on, consistent and replicable approach to value creation in a number of phases:

- *Phase 1 - Advanced Due Diligence.* The initial phase consists of ensuring that each potential platform meets the specific VHP criteria and presents a compelling opportunity. This typically includes a deep dive into the unit economics of the business by understanding pricing by service line, billing code and payor, as well as productivity and volume by service line, billing code, location, provider and payor. In addition, VHP conducts a thorough dissection of the operating functions of the business, the financial and clinical systems and a comprehensive medical chart and compliance review. VHP also extensively reviews the reimbursement and regulatory environment, the national and local market trends, and acquisition opportunities.
- *Phase 2 - Pre-Closing Initiatives.* The second phase begins the strategic planning for the platform. VHP identifies senior team requirements and begins recruiting within its network or externally through the use of a search firm. VHP identifies potential operational vulnerabilities associated with aggressive growth and develops a plan to address such vulnerabilities shortly after closing. In this phase, VHP also develops a de novo and acquisition growth plan, constructs an initial acquisition pipeline and begins pursuing targets.
- *Phase 3 - Tactical Initiatives.* The third phase typically occurs within 90 days after closing and involves putting the planning phase into action. At this point, VHP secures the senior management team and begins recruiting an internal business development team as well as other operational personnel as needed. VHP, in cooperation with management, begins to resource the operational vulnerabilities identified in Phase 2 and prepares the company for aggressive growth. The Firm also develops a sophisticated financial, operational and clinical reporting package. Finally, VHP begins executing on the acquisition plan.
- *Phase 4 - Value Acceleration.* With the senior management team, business development team and other personnel in place, Phase 4 involves aggressively executing on the strategic growth plan. VHP seeks to maintain a hands-on approach through weekly calls with management on both operational initiatives and business development activities, in addition to monthly financial performance calls, periodic onsite visits and regularly scheduled Board meetings. As previously mentioned, generally the acquisition strategy consists of a high velocity of small tuck-in acquisitions to minimize financial and operational risk. In addition, VHP seeks to build regional density to maximize leverage with commercial payors. As the platforms build density, VHP will lead a payor contracting strategy and other special initiatives in an effort to maximize profitability and growth. VHP will also typically lead a refinancing in an effort to provide more debt capacity to execute the growth plan.

Governance Process. VHP operates under a structured governance process to optimize information flow throughout the organization and optimize decision making. The Firm typically conducts a weekly status call to review the pipeline, deals in progress and address portfolio company issues and opportunities. In addition, VHP typically holds a quarterly portfolio call to review the platforms in detail.

Risks of Investment

Each Fund and its respective investors bear the risk of loss that VHP's investment strategy entails. The risks involved with VHP's investment strategy and an investment in a Fund include, but are not limited to:

Business Risks. A Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk which can result in substantial losses.

Concentration of Investments. Each Fund will participate in a limited number of investments and intends to make most of its investments in one industry or one industry segment, and may seek to make several of its investments within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners (or similar members) will be required to bear Management Fees through a Fund during such Fund's investment period based on the entire amount of the limited partners' (or similar members') Commitments and other expenses as set forth in the relevant Partnership Agreement.

Dynamic Investment Strategy. While each General Partner generally intends to seek attractive returns for a Fund primarily through private equity investments as described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques as it determines appropriate. A General Partner may pursue investments outside of the industries and sectors in which VHP has previously made investments or has internal operational experience.

General Risks of Investments in Healthcare Companies. While investments in healthcare companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Healthcare companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. Companies in which a Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn.

Healthcare Reform. Healthcare reform continues to be a significant factor in the profitability of companies in which a Fund may invest. The efforts to reform the healthcare delivery system in the United States and Europe has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints

on the levels of overall pricing, and thus could have a material adverse effect on profit margins for the companies in which a Fund invests.

Healthcare Regulation and Reimbursement. Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which a Fund invests. Recent legislative changes, including the passage of the U.S. Patient Protection and Affordable Care Act, have had, and will likely continue to have, a significant impact on the healthcare industry. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the U.S. federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry.

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

Leveraged Investments. A Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit rating agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by

distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by VHP or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments.

Subscription Lines. A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the governing documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses

without calling capital, pursuant to any limitations set forth in the relevant Partnership Agreement. Calling a large amount of capital at once to repay the-then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a Fund's investments and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to an Adviser with respect to such investment.

Non-U.S. Investments. A Fund may invest in portfolio companies that are organized, headquartered and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or its partners with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or its partners.

Additional risks of non-U.S. investments include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; and (vii) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest such as a regional or global pandemic. Such erosion of

confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

Projections. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by such Fund's General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

Need for Follow-On Investments. Following a Fund's initial investment in a given portfolio company, the Advisers may decide to provide additional funds to such portfolio company or may have the opportunity to increase such Fund's investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will make add-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

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

Public Company Holdings. A Fund's investment portfolio may contain securities and/or debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including VHP's principals, and increased costs associated with each of the aforementioned risks.

Material Non-Public Information; Other Regulatory Restrictions. As a result of the operations of VHP and its affiliates, the Advisers frequently come into possession of confidential or material non-public information. Therefore, VHP and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or VHP's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Advisers or the funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of the Advisers' inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by the Advisers or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by a Fund. When estimating fair value, a Fund's General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by a General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at VHP or one of its service providers holding its financial or investor data, VHP, its affiliates or the Funds may also be at risk of loss.

Conflicts of Interest

VHP and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, legal, management and other services to Funds and portfolio companies. The Advisers will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of VHP conducting its activities, the interests of a Fund may conflict with the interests of the Advisers, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, VHP will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory boards of the participating Funds.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by VHP principals through such Fund, subject to certain limited exceptions set forth in the Fund's Partnership Agreement and VHP's allocation policies. Without limitation, VHP principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. VHP's principals and VHP's investment staff will continue to manage and monitor such investments until their realization. Such other investments that VHP principals may control or manage may potentially compete with companies acquired by a Fund. Following the investment period of a Fund, VHP principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, VHP will be presented with investment opportunities that would be suitable not only for a particular Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of VHP. In determining which investment vehicles should participate in such investment opportunities, VHP and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Partnership Agreements, VHP is not obligated to recommend any investment to any particular investment vehicle.

Investments by more than one client of VHP in a portfolio company may also raise the risk of using assets of a client of VHP to support positions taken by other clients of VHP.

VHP must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. VHP generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: a) the size, nature and type of investment or sale opportunity, b) the investment guidelines and restrictions of the Funds, c) the cash position of the Funds, d) liquidity needs/other constraints of the Funds and e) any regulatory restrictions. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. VHP will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, as determined by the Funds' Partnership Agreements, Side Letters and VHP's procedures regarding allocation. VHP's procedures permit it to take into consideration a variety of factors in making such determinations, in its sole discretion, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; VHP's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair VHP's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; and whether VHP believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or VHP. Although a prospective co-investor's willingness to invest in future Funds may be considered by VHP, it generally will not be the sole determining factor considered by VHP in identifying co-investors.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by VHP or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other VHP investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of VHP and its affiliates make capital investments in or alongside certain Funds, VHP and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

VHP's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While VHP

will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which VHP may be subject, discussed herein, did not exist.

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

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by VHP or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or VHP. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a portfolio company typically will reimburse VHP or service providers retained at VHP's discretion for expenses (including, without limitation, travel expenses) incurred by VHP or such service providers in connection with its performance of services for such portfolio company. This subjects VHP and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. VHP determines the amount of these reimbursements for such services in its own discretion, subject to VHP's internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, any fee paid or expense reimbursed to VHP or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third-party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

To the extent permitted by the applicable Partnership Agreement, VHP generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) VHP or a related person of VHP (which may include a portfolio company of such Fund), (ii) an entity with which VHP or its affiliates or current or former members of their personnel has a relationship or from which VHP or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners (or similar members) or their affiliates. For example, VHP may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners (or similar members) or their affiliates that are engaged in lending or related business. This subjects VHP to conflicts of interest, because although VHP selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, VHP may have an incentive to recommend the related or other person (including a limited partner (or similar member)) because of its financial or other business interest. There is a possibility that VHP, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or VHP), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not VHP has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

VHP and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by VHP and/or its affiliates; conversely, former personnel or executives of VHP and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by VHP. Similarly, VHP, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, VHP and/or its affiliates, and/or the Funds or other investment vehicles they advise. VHP may have a conflict of interest with a

Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide VHP information about markets and industries in which VHP operates (or is contemplating operations) or will provide other services that are beneficial to VHP. VHP may have a conflict of interest in making such recommendations, in that VHP has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

VHP, its affiliates, and equity holders, officers, principals and employees of VHP and its affiliates may buy or sell securities or other instruments that VHP has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of VHP have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

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

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) may pay certain fees to Executive Advisors or other consultants (including consultants introduced, arranged, retained or employed, either directly or through an affiliated entity, by VHP and/or its affiliates to regularly provide services to one or more portfolio companies), and such fees are not expected to offset the Management Fee as described herein. Executive Advisors are expected to make use of VHP resources or otherwise be associated with VHP. VHP and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation or benefits (*e.g.*, health insurance) to such persons. Additionally, portfolio companies may provide opportunities for Executive Advisors to invest in such portfolio company and reimburse costs and expenses incurred by such individuals. Executive Advisors also may have a limited partner (or similar member) interest in the General Partners and/or one or more Funds, may receive remuneration from VHP and/or its Funds or affiliates and/or be entitled to other forms of compensation. No such compensation will offset the Management Fee of any Fund as described herein. Although the use of Executive Advisors and the allocation of compensation paid to its members by VHP, its affiliates and/or the portfolio companies is expected to subject VHP and/or its affiliates to potential conflicts of interest, VHP believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Executive Advisor is lower than market rates for the services provided by such Executive Advisors and/or if the services of the Executive Advisors align with VHP's model for the portfolio company and improve portfolio company performance. Although VHP intends to retain or employ, either directly or through an affiliated entity, Executive Advisors with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. VHP also intends to seek to reduce

potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that VHP believes will align such persons' interests with those of the Funds' limited partners (or similar members), and seeks to retain or employ, either directly or through an affiliated entity, only Executive Advisors and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because VHP's carried interest is based on a percentage of net realized profits, it may create an incentive for VHP to cause a Fund to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when VHP may not otherwise have done so. Since VHP is permitted to retain certain Transactional Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

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

Any of these situations subjects VHP and/or its affiliates to potential conflicts of interest. VHP attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by VHP's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, VHP will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, VHP consults and receives consent to conflicts from an advisory board consisting of limited partners (or similar members) of the relevant Fund(s) and such other investment vehicles.

ITEM 9: DISCIPLINARY INFORMATION

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

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Varsity Management is affiliated with other VHP investment advisers registered with the SEC under the Advisers Act pursuant to Varsity Management's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Varsity Management and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted VHP's Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of VHP principals and employees and addresses conflicts that arise from personal trading. The Code requires certain VHP personnel to report their personal securities transactions, prohibits or requires pre-clearance for VHP personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits VHP personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from VHP's Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Debbie Fritzer, VHP's Chief Compliance Officer, at (310) 564-2693. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

VHP and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, VHP and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of VHP.

Accordingly, should VHP or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, VHP generally would be prohibited from communicating such information to clients, and VHP will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of VHP personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of VHP and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third-party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Additionally, a Fund may invest together with other Funds advised by an affiliated adviser of VHP in the manner set forth in the applicable Partnership Agreement and VHP's Investment Allocations / Co-Investment Policy. VHP will determine the allocation of investment opportunities, in its sole discretion, in a manner that it believes is fair and equitable to its clients consistent with VHP's obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions. In the case of co-investments, the Advisers, in their sole discretion, may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-

investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

VHP and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain vehicles sponsored by VHP (the “**Reference Funds**”) may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by investors (or their representatives) in such Reference Funds.

From time to time, VHP may borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with the Partnership Agreement and the expense policy described under “Fees and Compensation”. In borrowing on behalf of a Fund, VHP is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund’s preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs. VHP will effect such borrowings in a manner it believes to be fair and equitable to the Fund, and consistent with VHP’s obligations to the Fund and the Partnership Agreement.

ITEM 12: BROKERAGE PRACTICES

VHP focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, VHP may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although VHP does not intend to regularly engage in public securities transactions, to the extent it does so, it intends to follow the brokerage practices described below.

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

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

Consistent with VHP seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although VHP generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of VHP’s Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by VHP, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund. Research services may be shared between VHP and its affiliates.

VHP does not currently engage in soft dollar transactions, but may engage in soft dollar transactions in the future in accordance with the limitations of Section 28(e) of the Securities Exchange Act of 1934, as amended.

VHP does not anticipate engaging in significant public securities transactions; however, to the extent that VHP engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, VHP may also purchase or sell the same

securities or instruments for several Funds simultaneously. From time to time, VHP may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of VHP is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

In VHP’s private company securities transactions on behalf of the Funds, VHP may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, VHP may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although VHP generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

ITEM 13: REVIEW OF ACCOUNTS

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

Each Fund generally will provide to its limited partners (or similar members) (i) audited financial statements annually commencing with the first year in which such Fund makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each limited partner's (or similar member's) U.S. tax return, and (iv) descriptive investment information for each portfolio company annually.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

VHP and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. *See* "Fees and Compensation".

From time to time, VHP may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner (or similar member) in a Fund. Any fees payable to any such placement agents will be borne by VHP indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s). VHP currently has retained UBS Securities LLC, a placement agent, to solicit Commitments from investors in exchange for a percentage of the relevant amount committed, in addition to the reimbursement of certain expenses.

ITEM 15: CUSTODY

VHP is deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of certain Funds by virtue of its control of the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians with the exception of assets that are considered to be “privately offered securities” under Rule 206(4)-2(b). Fund limited partners receive annual financial statements audited by an independent public accounting firm within 120 days. Fund limited partners are urged to carefully review such statements.

ITEM 16: INVESTMENT DISCRETION

VHP generally has discretionary authority to manage investments on behalf of each Fund. As a general policy, VHP does not allow clients to place limitations on this authority, except that a Partnership Agreement may impose certain restrictions on investing in certain types of securities, and in certain Funds the Advisers may negotiate the level of investment discretion with the client at the outset of the advisory relationship. Pursuant to the terms of the Partnership Agreement, however, VHP and/or its affiliates may enter into Side Letters with certain limited partners (or similar members) whereby the terms applicable to such limited partner's (or similar member's) investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. VHP assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners (or similar members) of such Fund.

ITEM 17: VOTING CLIENT SECURITIES

VHP has adopted the Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for each Fund’s portfolio investments. The Proxy Policy seeks to ensure that VHP votes proxies (or similar instruments) in the best interest of the applicable Fund, including where there may be material conflicts of interest in voting proxies. VHP generally believes its interests are aligned with those of each Fund’s investors, for example, through the principals’ beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that VHP may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may approve VHP’s vote in a particular solicitation. VHP does not consider service on portfolio company boards by VHP personnel or VHP’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by VHP when voting proxies on behalf of a Fund. If you would like a copy of VHP’s complete Proxy Policy or information regarding how VHP voted proxies for particular portfolio companies, please contact Debbie Fritzer at (310) 564-2693, and it will be provided to you at no charge.

ITEM 18: FINANCIAL INFORMATION

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