



Borealis Strategic Capital Partners, LP

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Form ADV Part 2A

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Item 1 - Cover Page

This brochure ("Brochure") provides information about the qualifications and business practices of Borealis Strategic Capital Partners, LP ("Borealis" or the "Firm"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Any reference to Borealis as a "registered investment adviser" or as being "registered," does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure is neither an offer to sell nor a solicitation of an offer to buy shares or limited partnership interests in any of the investment funds sponsored, managed, or advised by Borealis. An offer of such funds can only be made through the offering materials for the relevant investment fund and only in jurisdictions in which such an offer would be lawful.

If you have any questions about the contents of this Brochure, please contact us at 312-897-3474 or john@borealisstratcap.com. Additional information about Borealis is also available on the SEC's website at www.adviserinfo.sec.gov and at Borealis' website at www.borealisstratcap.com.

Item 2 - Summary of Material Changes

Our business activities and practices have not changed materially since our initial filing on April 25, 2019. While there are no material changes to this brochure since the initial filing, this brochure has been generally updated to provide certain information to help clients better understand the investment products we offer, the risks associated with our investment process and our efforts so to ensure clients are treated fairly and equitably.

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Item 4 - Advisory Business

- A. Borealis is a Delaware limited partnership that was formed April 4, 2017 and is owned solely by entities principally owned and controlled by Scott Schweighauser. Any references to the “Firm”, “us,” “we,” and “our” in this Brochure refer to Borealis. Any defined terms used in this Brochure not otherwise defined herein, have the definition ascribed to them in the offering documents of the applicable Fund (as defined below).
- B. Borealis offers investment advisory services on a discretionary basis to several private pooled investment vehicles (the “Funds”), including a master-feeder structure comprised of the following private investment funds: (i) Borealis Strategic Capital Partners Fund I, LP, a Delaware limited partnership (the “Onshore Feeder Fund”); (ii) Borealis Strategic Capital Partners Offshore Fund I, LP, a Cayman Islands exempted limited partnership (the “Offshore Feeder Fund,” together with the Onshore Feeder Fund, the “Main Feeder Funds”); and (iii) Borealis Strategic Capital Partners Master Fund I, LP, a Cayman Islands exempted limited partnership (the “Main Master Fund”, together with the Main Feeder Funds, the “Main Funds”). Borealis also offers investment advisory services to a co-investment master-feeder structure comprised of the following private funds: (i) Borealis Strategic Co-Investment Fund IC, LP, a Cayman Islands exempted limited partnership (the “Co-Investment Feeder Fund”, together with the Main Feeder Funds, the “Feeder Funds”) and (ii) Borealis Strategic Co-Investment Fund IP, LP, a Cayman Islands exempted limited partnership (the “Co-Investment Master Fund”, together with the Main Master Fund, the “Master Funds”). Borealis Strategic Capital General Partner, LLC, a Delaware limited liability company affiliated with the Firm, (the “General Partner”) serves as the general partner of the Funds. References to “Investors” or “Limited Partners” generally refers to the investors in the Funds (collectively, with the General Partner, the “Partners”). We provide investment advisory services pursuant to investment advisory agreements between us and our clients.

In the future, Borealis may provide investment advisory services through several different investment products, including additional U.S. and non-U.S. private investment funds and advisory agreements for individual clients (collectively with the Funds, “clients”). Clients typically invest in a portfolio of Primary Funds (as defined below) but clients or Limited Partners may also invest in co-investments, including additional investment capacity in a Primary Fund or access to special investment opportunities (which may be highly concentrated) managed by third party managers.

We generally invest client capital in a variety of newly-formed, early-stage, or existing private funds managed by third party investment managers that we believe have not yet reached a “critical mass” of fee-paying assets under management (“Primary Funds”). The investment managers of the Primary Funds (“Early Stage Managers”) include investment managers that have yet to commence operations. We invest in Primary Funds in return for direct economic participation in their growth and success. In exchange for providing early-stage capital, Borealis investors are entitled to receive the benefit of not only the investment return and shared revenue earned by the Early Stage Managers over a specific period (if any), but also generally one or more of the following: reduced management and/or performance fees, and reserved capacity. These types of investments are referred to herein as “Strategic Capital Investments.”

Typically, there is limited capacity for Strategic Capital Investments due to, among other factors, the Early Stage Managers having a smaller amount of assets under management at the time the Strategic Capital Investments are made. Accordingly, to the extent Borealis has

multiple clients, not every client may have been given the opportunity to participate in all Strategic Capital Investments.

Primary Funds may invest in a wide range of instruments and markets on a worldwide basis, including, but not limited to, U.S. and non-U.S. equities, equity-related instruments, fixed income and other debt-related instruments, currencies, commodities, and derivative instruments. Primary Funds may utilize both over-the-counter and exchange traded instruments, including derivative instruments such as swaps, futures, options, and forward agreements, and may trade on margin and engage in short sales. Clients may invest directly in certain instances, as discussed below.

All discussions of the Funds in this brochure, including but not limited to their investments, the strategies used in managing the Funds, the fees and other costs associated with an investment in the Funds, and conflicts of interest faced by the Firm in connection with management of the Funds, are qualified in their entirety by reference to each Fund's respective offering memorandum and advisory agreement.

- C. Borealis tailors its investment advisory services to the strategies and conditions set forth in the Funds' offering and governing documents, rather than to any individual investor in any of the Funds. We generally do not permit clients or investors in the Funds to impose limitations on the investment activities described in the offering documents or the governing documents of the Funds. However, Borealis reserves the right to tailor other contractual rights of investors through side letter agreements at its sole discretion.
- D. Borealis does not participate in any wrap fee programs.
- E. We provide our advisory services to the Funds on a discretionary basis. As of December 31, 2019, Borealis manages approximately \$193,785,000 in regulatory assets under management on a discretionary basis. We do not currently manage any non-discretionary assets.

We provide certain co-investment opportunities to investors in the Funds and, potentially, prospective investors from time to time. Borealis provides access to co-investment opportunities through a private investment fund or advisory agreement. These co-investment opportunities will generally be offered to potential investors on an individual basis, and each co-investor will have the opportunity to accept or reject each individual co-investment.

Item 5 - Fees and Compensation

- A. With respect to each Master Fund, the information regarding fees and compensation described below is both supplemented and superseded by the applicable offering memoranda and/or governing documents of each Fund. Prospective investors in each Fund should review the applicable offering memoranda and/or governing documents prior to investing in a Fund.

The Main Master Fund

With regard to the Main Master Fund, we generally charge a Management Fee, payable in advance at the beginning of each month, calculated at a rate of up to 1% of the Net Asset Value of a Limited Partner's Fund Portfolio Capital Account, plus, during the Investment Period only, the amount of the Limited Partners' Unfunded Capital

Commitment, depending on the terms of the applicable offering memoranda, governing documents, or agreements.

The Co-Investment Master Fund

With regard to the Co-Investment Master Fund, we generally do not charge a Management Fee; any Management Fees in connection with an investment in the Co-Investment Master Fund shall be determined by the offering memoranda, governing documents, or agreements, as applicable.

We may, at our discretion, waive all or any portion of these fees with respect to any Limited Partner (including, but not limited to, officers, directors or employees of the General Partner, Borealis, any of their direct or indirect affiliates, or any members of their immediate families or family trusts or other entities established for their benefit ("Borealis Parties")) without notice to, or the consent of, the other Limited Partners. We have the right to charge a higher fee to a certain Feeder Fund's Limited Partners, if such Feeder Fund's Limited Partners so agree.

- B. The Management Fee is typically deducted at the beginning of each month from the respective Fund Portfolio Capital Account balances of the Limited Partners.
- C. Each Feeder Fund generally bears its own expenses and a *pro rata* portion of the applicable Master Fund's expenses relating to its investment and trading activities, including, but not limited to, expenses related to the offering of the Funds' interests or shares, as applicable, brokerage commissions (see Item 12), "bid-ask" spreads, mark-ups, borrowing costs and interest expenses, management and performance fees of the Primary Funds, third-party legal fees, the costs of bonding required by ERISA, valuation and consulting fees in connection with an investment or prospective investment with an Early Stage Manager, the costs of due diligence performed, negotiations of project agreements, expenses associated with "broken deals," reasonable expenses related to the purchase, sale or transmittal of Feeder Fund assets (through its investment in the applicable Master Funds) and other transactional charges and clearing fees, marketing expenses incurred by or on behalf of a Primary Fund, expenses related to the Firm's research and monitoring (e.g., Bloomberg terminal and other financial software and required hardware), the cost of third parties that provide risk and other hedge fund analytics utilized by the Firm to monitor portfolios, any costs of winding up and dissolving the Funds, the costs and expenses of compliance consultants retained by the General Partner, legal, accounting, insurance, custodial, audit and administration fees and expenses.

Where both Master Funds are exposed to expenses associated with "broken deals" in connection with a concurrent investment in a Primary Fund which ultimately never comes to fruition, such expenses may be allocated *pro-rata* between the two Master Funds where Borealis believes that it is appropriate and reasonable to do so. However, certain circumstances may necessarily require that a Fund may bear more than its *pro-rata* share.

Generally, the Funds bear all expenses related to marketing of interests in the applicable Fund. The Main Funds bear all of their marketing expenses until the final closing date; thereafter the General Partner will bear such expenses.

The Funds will generally pay for any out-of-pocket costs and expenses incurred by the Firm in connection with cybersecurity, computer software, news and information services and licensing costs that benefit the Funds. Costs and expenses relating to or arising out of

registration, regulatory or self-regulatory filings by the applicable Funds, the General Partner or Firm will be paid by the applicable Funds. If an LPAC is formed for the Main Funds, such Main Funds will bear the reasonable out-of-pocket expenses of the members thereof in connection with their services. The Funds also bear their *pro rata* share of the fees and expenses of the Primary Funds, as well as extraordinary expenses (if any), including expenses related to any litigation or proceedings or examinations by the IRS or other governmental bodies or self-regulatory organizations.

Co-Investment Master Fund – Share Class Expenses

Due to the existence of multiple share classes in the Co-Investment Master Fund, Fund Expenses solely attributable to one or more classes shall generally be borne by the relevant classes. Borealis may, in its sole discretion, determine whether an expenditure relates solely to a particular class. Given the single purpose investment of each class, it is anticipated that the majority of the initial fund expenses attributable to each class will be costs, fees and expenses related to the identification of and negotiation with the relevant Early Stage Manager. Such expenses will be allocated between the class and the Main Master Fund.

- D. The Management Fee is generally payable in advance as of the beginning of each calendar month. Borealis does not typically refund fees paid in advance if an advisory contract is terminated before the end of a billing period.
- E. Neither Borealis nor any of its supervised persons accept compensation for the sale of any securities or other investment products.

Item 6 - Performance-Based Fees and Side-By-Side Management

With respect to Strategic Capital Investments, the General Partner receives a certain percentage of the Strategic Capital Return (as defined below) otherwise allocable to Limited Partners of each Fund ("Strategic Capital Return Share"), typically ranging between 0% to 33%, subject to the terms of the applicable governing documents or agreements. "Strategic Capital Return" refers to the share of the performance allocation and additional returns from a Primary Fund as well as, generally, each other fund or account advised by the applicable Early Stage Manager received by a client in exchange for the client's provision of early-stage capital to the Primary Fund. The General Partner may, in its sole and absolute discretion, waive or reduce the Strategic Capital Return Share with respect to any individual Limited Partner without entitling, or notice to, any other Limited Partner to such waiver or reduction.

To the extent Borealis manages multiple clients, such clients will be subject to potential conflicts of interest with respect to side-by-side management. Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies. Conflicts with respect to side-by-side management may present themselves both at the fund level and at the investor level.

Borealis advises investment vehicles that invest in similar investments. In managing multiple clients, Borealis may determine that an investment opportunity is appropriate for a particular client, or for itself, but not for another client. To the extent that certain clients invest in a limited investment opportunity, such as a Primary Fund or a co-investment, the ability of other clients to invest in that same investment opportunity may be adversely affected. In allocating such limited investment opportunities, not all clients may be offered or participate in an opportunity.

Borealis pursues a co-investment strategy pursuant to which certain investors are offered the opportunity to invest in Primary Funds of Early Stage Managers on an individual basis. Such co-investment opportunities are offered in an instance in which the Main Master Fund has received a full capacity allocation based upon the current risk guidelines in place or have passed on the opportunity due to risk guidelines, portfolio management considerations, liquidity, or other factors. Such co-investment opportunities generally involve the payment of a performance fee or allocation to Borealis.

Performance-based compensation arrangements, such as the Strategic Capital Return Share, may vary among the Master Funds, each Fund thereof, or share classes within each Fund. Any variances in performance-based compensation arrangements create a conflict of interest for clients as we have an incentive to favor or allocate certain investments, such as the highest performing investments, to Funds or share classes within each Fund from whom we receive the largest performance-based compensation. We have adopted policies and procedures designed to ensure fair and equitable treatment of each Fund and share classes thereof.

The Firm and certain of its employees have invested in or alongside with certain clients. In addition, a client may be under the control of employees or affiliates of Borealis by virtue of the fact that employees or affiliates own a controlling percentage of the client's voting rights. These circumstances create a conflict of interest for clients as we have an incentive to favor one client over another when making investment decisions. However, these conflicts of interest are mitigated to the extent that such investments align our interests with clients and their respective investors.

Item 7 - Types of Clients

We currently provide investment advice directly to two master-feeder structures comprised of the Feeder Funds and the Master Funds, and not individually to any investor in the Funds. In the future, Borealis may provide investment advisory services through several different investment products, including additional U.S. and non-U.S. private investment funds and advisory agreements for individual clients.

The underlying investors in a Fund, while not considered clients of Borealis under the Investment Advisers Act of 1940 (the "Advisers Act"), as amended, are high net worth individuals and institutional investors that qualify to invest in 3(c)(7) funds as "qualified purchasers" or "knowledgeable employees."

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

All references to the Funds in this brochure, including, but not limited to, their investments and management strategies, are qualified in their entirety by reference to each Fund's respective offering documents. The following is a general discussion of the methods of analysis, investment strategies and the risk of loss associated with Borealis' overall investment strategy. These risk factors may change over time. There can be no assurance that the Funds will achieve their objectives or that the Funds will not incur losses. Investors in the Funds must be prepared to lose all or substantially all of their investment in the Funds.

THE INFORMATION BELOW IS INTENDED TO SERVE AS A SUMMARY OF POTENTIAL RISKS OF INVESTING. THE FOLLOWING IS NOT A SUBSTITUTE FOR THE OFFERING DOCUMENTS OF THE FUNDS. POTENTIAL INVESTORS IN THE FUNDS MUST REVIEW OFFERING DOCUMENTS IN THEIR ENTIRETY BEFORE INVESTING. THIS INFORMATION

MAY BE BOTH SUPPLEMENTED AND SUPERCEDED BY INFORMATION IN THE OFFERING DOCUMENTS FOR THE FUNDS.**A. Investment Strategies and Methods of Analysis**Investments in Primary Funds of Early Stage Managers

Borealis seeks to identify talented Early Stage Managers and invest on behalf of the Funds in such Early Stage Managers' newly-formed or existing Primary Funds to monetize the systemic mismatch between Early Stage Managers' needs for strategic capital and lack of access to it. We believe that Early Stage Managers outperform their established peers due to a variety of structural and behavioral factors, such as nimbleness, broader opportunity sets, fewer distractions, and higher motivation. By investing in the Primary Funds of Early Stage Managers, we seek to provide investors with access to the varied skills and expertise of such Early Stage Managers which may not otherwise be available to investors.

The substantial majority—if not all—of the Funds' investments will be in the interests of Primary Funds managed by Early Stage Managers employing a variety of alternative investment techniques and strategies, which include, but are not limited to equities, credit, event-driven, opportunistic, and macro strategies.

Borealis selects Early Stage Managers on the basis of various criteria, which include, among other things, an analysis of the Early Stage Manager's principals' and key personnel's past experience and their performance; the specialized expertise of the Early Stage Manager's principals, and whether the principals are talented, flexible, and opportunistic; the personal characteristics of the Early Stage Manager's principals and/or key personnel, including their integrity, intellectual honesty, talent, expertise, flexibility, and dedication; an evaluation of the Early Stage Manager in terms of a risk/reward analysis; the business prospects of the Early Stage Manager and the principals' commitment to managing a business as opposed to simply investing capital; the additional risks of making a long-term Strategic Capital Investment in such strategy; the potential macroeconomic or other strategy-specific factors on the strategy and, accordingly, on the Early Stage Manager; possible reputational issues relating to the Early Stage Manager, its strategy, and its personnel; the amount of personal capital invested by the principals of an Early Stage Manager in the Primary Fund; the current organizational depth and operational resources of each Early Stage Manager as well as the Early Stage Manager's business plan as it relates to organizational depth and operational resources; and the Early Stage Manager's investment philosophy and policies and training of its principals and key personnel.

Borealis is not limited to investing with Early Stage Managers with past investment histories and has the discretion to invest with an Early Stage Manager based on Borealis' assessment of its future prospects.

The Early Stage Managers selected by Borealis have complete discretion to make investments for their respective Primary Funds consistent with the relevant investment advisory agreements, limited partnership agreements, memorandum and articles of association or other governing documents. Such agreements and governing documents generally allow the Early Stage Managers to change the kinds of investments they make and their techniques for making investments if they believe that such changes are appropriate in view of the then current or expected market, business or economic conditions.

Direct Trading

Borealis retains authority to conduct certain limited direct trading activities on behalf of clients, including for hedging purposes. Borealis may also engage in direct trading in connection with the liquidation of securities that have been distributed in kind to the Funds. For these purposes, Borealis may invest in stock, options (for FX hedging purposes only), futures (for FX hedging purposes only), money market instruments, mutual funds and other investment companies or securities. In addition, the Borealis may invest the Funds' cash balances in any instruments it deems appropriate. Any income earned from such investments will be deployed in accordance with the investment program.

B. Material Risks

Below is a summary of potentially material risks for the significant investment strategies used by the Firm, as well as Early Stage Managers. This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in any investment in the Funds, including the general business and regulatory risk of investment in private investment funds, operational risks, general market risks, general credit risks, liquidity risks, or other risks. Investors should refer to the offering memorandum for further detail.

Risks Associated with Investing with Borealis

No Performance History, Risks Associated with "Start Ups." Both Borealis and the Funds are recently formed and have limited or no operating history or performance record and are subject to all the risks associated with "start-up" businesses. Borealis may have operational difficulties as a business which may have an adverse effect on its ability to manage the Funds successfully despite the potential effectiveness of its investment strategies. If Borealis discontinues operations, the Funds will be forced to dissolve, perhaps under unfavorable market conditions and prior to having had a realistic opportunity to achieve their investment objectives. In addition to capital concerns related to Borealis, the early performance of a "start-up" manager such as Borealis often has a dominant if not dispositive effect on the manager's long-term success. Adverse or disrupted markets following the launch of the Funds could make it difficult for Borealis to succeed, perhaps leading to the liquidation of the Funds before it has had a realistic opportunity to achieve its objective. Borealis' "start-up" nature could be viewed negatively by Early Stage Managers considering accepting a "seed" investment.

Risks Related to Concentrated Investments in Early Stage Managers

Limited or No Past Performance. Primary Funds will typically have limited or no operating history. Moreover, the Early Stage Managers themselves will also typically have limited or no operating history. Early Stage Managers and Primary Funds may have less operational infrastructure and administrative controls, which in turn presents additional risk to the Funds.

Liquidity. Strategic Capital Investments will be subject to the Strategic Capital Commitment Period and other investors in the Primary Funds may not be subject to the same (or any) initial commitment period. Consequently, the Funds will be forced effectively to implement a "buy and hold," rather than an active asset allocation "fund of funds" strategy with respect to the Funds, at least until the termination of the last Strategic Capital Commitment Period. The Funds will be required to bear the risk of investment for such period of time. The Strategic Capital Commitment Period will restrict the Funds' ability to withdraw its investment in a Primary Fund, except under

limited circumstances. Such restrictions may result in the Funds experiencing significant losses at a time when it otherwise would have withdrawn from such Primary Fund.

Long-Term Commitment. Withdrawals may only be made with respect to a Primary Fund after the termination of such Primary Fund's Strategic Capital Commitment Period, regardless of any Key Person Event. Furthermore, withdrawal terms of the Primary Funds are expected to materially limit a Limited Partner's ability to withdraw from the Funds even after the termination of such Primary Fund's Strategic Capital Commitment Period. In acquiring an Interest, Limited Partners are making a long-term commitment to Borealis' management, irrespective of possible adverse developments at Borealis.

Lack of Diversification. The identification and development of individuals who have not yet established independent operations but are looking to build a successful investment management business is resource-intensive, and Borealis will only be able to make investments in a limited number of Primary Funds and will therefore bear the risk of a highly concentrated portfolio of Primary Funds. Like any highly concentrated portfolio, the portfolio of Primary Funds will bear the risk of a larger overall loss in connection with the poor performance of any one investment.

Competition. There are a number of major competitors in the strategic capital investment and/or "seed" sector. This means that Borealis will have to compete for Early Stage Managers and there can be no guarantee that it will be able to compete successfully for a limited number of potentially high performing Early Stage Managers.

Possible Failure of the Investment Strategies Employed by the Early Stage Managers. The Funds are subject to the risks associated with the investment strategies and investment techniques and practices employed by the Early Stage Managers. The Early Stage Managers may not be successful in attempting to generate profits and/or avoid losses. If the trading and investing of Early Stage Managers is unsuccessful, not only will the Funds incur losses but also the business of the Early Stage Managers may be materially adversely affected. The alternative investment strategies that will be implemented for the Primary Funds are subject to a "risk of total loss"—the risk that a previously low volatility and apparently comparatively low risk strategy will incur sudden and dramatic losses—at a level of severity to which investment funds employing traditional strategies (which may be less dependent on the availability of financing or market liquidity) may not be subject.

Market Risk. Market risk reflects the fact that there are certain general market conditions in which any given investment strategy is unlikely to be profitable. Neither the Early Stage Managers nor Borealis will have any ability to control or predict such market conditions, and the Early Stage Managers will be particularly vulnerable to adverse market conditions early in the operations of their Primary Funds.

Strategy Risk. Strategy risk is associated with the failure or deterioration of an entire strategy such that most or all investment managers employing that strategy suffer significant losses. Strategy specific losses may result from excessive concentration by multiple investment managers in the same investment or general economic events that adversely affect particular strategies (e.g., the disruption of historical pricing relationships). The strategies employed by the Early Stage Managers are speculative and involve substantial risk of loss in the event of such failure or deterioration.

Manager Risk. Manager risk relates to the possibility of Early Stage Manager inexperience in trading on a standalone basis, inability to establish and develop its own business, fraud,

intentional or inadvertent deviations from an Early Stage Manager's announced investment strategy (including excessive concentration, directional investing outside of disclosed ranges, excessive leverage or experimentation with new capital markets) or simply poor judgment.

Importance of Early Stage Manager Initial Performance. Investment management is a highly competitive field in which successful asset raising is, in a large part, driven by performance. Even a brief period of initial poor performance could make it difficult, if not impossible, for an Early Stage Manager to raise or retain assets for its funds and accounts. The Primary Funds, and in turn the value of the Strategic Capital Investments, will be particularly vulnerable to the risk of adverse initial performance. If an Early Stage Manager were to incur substantial losses, it could have adverse reputational consequences to: (i) such Early Stage Manager, making it difficult for such Early Stage Manager to raise additional or maintain current assets under management; (ii) Borealis, the General Partner and the Funds; and (iii) Limited Partners due to their association with the Funds and such Early Stage Manager. Further, the reputational consequences could make it difficult for Borealis to negotiate Project Agreements with new Early Stage Managers in the future.

Risks Related to Early Stage Managers

Early Stage Managers. Borealis may be unsuccessful in identifying Early Stage Managers which have the potential to succeed in establishing and developing their own businesses and trading on a stand-alone basis. Evaluating whether a particular Early Stage Manager will be successful in building a business as an entrepreneur while also managing an investment portfolio can be materially more uncertain than evaluating an Early Stage Manager's past trading record, especially a trading record generated as part of a larger portfolio or at an established financial institution.

Other Early Stage Manager Investment Funds – Follow-On Investments. In order for the Funds to receive a Strategic Capital Return related to other investment funds managed by an Early Stage Manager, the Funds may be required, or for efficiency reasons may elect, to invest in such other investment funds. In doing so, the Funds may be exposed to investment strategies and performance that Borealis otherwise would not have selected for the Funds.

Start-Up Operations. Start-up operations are subject to risks which may be substantially unrelated to the underlying quality or potential of a business. The principals of an Early Stage Manager may prove to be incompatible colleagues; the organization may not be able to develop an appropriate trading discipline; initial cash flow constraints may make it difficult for the Early Stage Manager to retain valuable personnel, etc. Even if Borealis is successful in selecting promising principals, unless such principals are able to develop effective business operations for their respective Early Stage Manager, such Early Stage Manager may be unable to trade effectively or develop.

Fraud or Misrepresentation. Borealis cannot protect the Funds from the risk of Early Stage Manager fraud or misrepresentation. Although Borealis will conduct background checks and perform due diligence on key employees and the Early Stage Manager, as well as obtain regular reporting and inspection rights and portfolio-related information, because the Funds will not have custody or control over assets it invests in Primary Funds, the Early Stage Manager of a Primary Fund (or such Early Stage Manager's personnel) could divert or abscond with such assets. An Early Stage Manager also could deviate from its stated investment strategy, objectives, policies or restrictions (e.g., entering into new or riskier markets, excessive portfolio concentration, investing outside of pre-defined ranges, excessive leverage), issue false performance reports or

engage in other misconduct. Early Stage Manager misconduct could result in reputational damage to the Funds as well as to the Limited Partners.

Human Error and Poor Judgment. In many cases, the bulk of a Primary Fund's trading will be based on the market judgment of an Early Stage Manager's personnel. Such judgment may be in error, based on incomplete or inaccurate information and/or adversely influenced by personal or emotional factors.

Systems Malfunctions and Other Operational Failures. Certain of the Early Stage Managers may implement strategies that rely to a material extent on trading and analytical systems. These systems could malfunction at any time, and such malfunction may not be identified for some period of time during which material losses could be incurred. The risk and magnitude of potential trading errors can also be materially increased by the use of computerized trading systems. It is reasonable to assume that the risk of a non-override computer malfunction may be likely to be higher in the case of a start-up or developmental stage Early Stage Managers than in the case of an established manager.

Misuse of Confidential Information. Widely-reported instances of securities law violations through the misuse of confidential information have occurred and are continuing among investment managers (such as the Early Stage Managers). Such violations may result in substantial liabilities for damages and the disgorgement of profits and penalties. It is possible that certain Early Stage Managers may be charged with involvement in such violations. Not only could such charges be damaging to an Early Stage Manager's operations, but also the Funds itself could, as the provider of the Strategic Capital Investments to the Early Stage Managers, be implicated in such charges (although Limited Partners' exposure would be limited to their respective investments in the Funds).

Investment Strategy Risks. The Early Stage Managers execute many investment strategies, including several types of arbitrage, event-driven and directional strategies (e.g., long/short equities, relative value, long/short credit, activist, volatility trading and capital structure arbitrage). At times, Early Stage Managers focused on implementing a particular strategy may make an opportunistic trade representing a different trading approach. For example, in seeking to identify a relatively mispriced pair of assets, an Early Stage Manager may conclude that an asset is sufficiently over- or underpriced to merit taking an outright directional position. Each investment strategy involves specific risks that are more fully described in the offering memoranda for each Fund.

Early Stage Managers are continually developing new, and adapting and refining existing, strategies. There is no material limitation on the strategies that the Early Stage Managers may apply or the investment instruments in which the Early Stage Managers may invest and no assurance as to which types of strategies may be applied at any one time.

General Economic Conditions. The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Funds, directly or indirectly, holds positions could impair the Funds' ability to carry out its business or cause it to incur losses.

Use of Leverage. The Early Stage Managers may use leverage by purchasing instruments with the use of borrowed funds, by trading options or futures contracts or through other means. The amount of leverage used by an Early Stage Manager may be large in relation to a Primary Fund's

capital. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss. The Primary Funds are subject to the margin rules of the Federal Reserve System and stock exchanges. To the extent the margin rules become more restrictive the investment results of the Fund may be adversely affected.

Increase in Amount of Assets Under Management. The Early Stage Managers may or may not have restrictions on their level of assets under management. It is not known what effect, if any, an increase in the amount of assets under management will have on the trading strategies utilized by the Early Stage Managers or their investment results. However, there generally appears to be a tendency for the rates of return achieved by investment managers to degrade as assets under management increase, and there can be no assurance that this will not occur in the case of Borealis or any Early Stage Manager, or that the return on the Funds' investments will be similar to that achieved by such Early Stage Managers in the past.

Investment in Non-U.S. Securities, Offshore Funds and Emerging Markets. The Early Stage Managers may invest, directly or indirectly, in securities of non-U.S. issuers. Non-U.S. investments—and in particular those in emerging markets—involve certain special risks, including (i) political or economic instability, (ii) the unpredictability of international trade patterns, (iii) the possibility of non-U.S. governmental actions such as expropriation, nationalization or confiscatory taxation, (iv) the imposition or modification of currency controls, (v) price volatility, (vi) the imposition of withholding taxes on dividends, interest and gains, (vii) different bankruptcy laws and practice, (viii) the fluctuation of currency exchange rates and (ix) the lack of, or different, regulations applicable to such investments as compared to U.S. investments. As compared to U.S. entities, non-U.S. entities generally disclose less financial and other information publicly, and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Also, it may be more difficult to obtain and enforce legal judgments against non-U.S. entities than against U.S. entities.

Lack of Liquidity in Markets. Despite the heavy volume of trading in securities and futures, certain markets for instruments traded by the Primary Funds have limited liquidity and depth. Lack of liquidity could disadvantage the Primary Funds and, indirectly, the Funds, both in the realization of quoted prices and in order execution. Lack of liquidity also increases the risk that the Primary Funds that need to raise capital could be required to liquidate positions at disadvantageous prices. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions. The valuation of the Primary Funds' less liquid investments may differ materially from the actual or realizable value of such investments.

Stagnant Markets. Although volatility is one indication of market risk, certain of the investment strategies employed by the Early Stage Managers may rely on market volatility contributing to the mispricings which they are designed to identify. In the event of trendless or stagnant markets and/or deflation, these strategies may have materially diminished prospects for profitability.

No Limitation on Investment Instruments. There is no limitation on the investment instruments in which an Early Stage Manager may invest. New investment instruments are continually developing and investments in such instruments may involve material and as yet unanticipated risks.

Structural Risks

Certain risks are inherent in the structure of the Funds.

Liquidity and Transferability of Interests. An investment in the Funds involves limited liquidity, and the Interests are not freely transferable without the prior written consent of the General Partner and compliance with applicable federal and state securities laws. There is no market for the Interests and none is expected to develop. Limited Partners thus may not be able to liquidate or withdraw their investment in the event of an emergency or for any other reason, and Interests may not be readily accepted as collateral for a loan. Limited Partners will not have the ability to withdraw capital from the Fund until the termination of each Primary Fund's Strategic Capital Commitment Period. An investment in the Funds is suitable only for sophisticated investors.

Commitment Termination Events. Borealis may not provide Limited Partners with notice of Commitment Termination Events. Borealis has the sole discretion to determine whether to make withdrawals from a Primary Fund following a Commitment Termination Event. Borealis may determine to not make such withdrawals, thereby preventing Limited Partners from receiving a return of capital from such Primary Fund when they may desire to do so. The inability of investors to make withdrawals following a Commitment Termination Event may lead to losses.

Investor Concentration Risk. There is no limit on the amount that an investor or a group of related investors may invest in the Funds. It is expected that an investor or a group of related investors has or will contribute a substantial percentage of the Funds' capital and such investor or group of related investors may be in a position to control the outcome of investor votes. Such a "controlling" investor or group of related investors generally has no fiduciary duty to other investors and may make decisions that are not in the best interest of such other investors. In addition, the withdrawal by such investor or group of related investors may adversely impact the Funds.

Side Letters. A client and Borealis may enter into agreements with investors which have the effect of altering or supplementing the terms of the offering to the specific investor. Any terms contained in the client's agreements with an investor shall govern with respect to such investor notwithstanding the provisions of the offering materials. Such agreements may grant certain investors fees, reporting, or liquidity, as well as other matters, that are more favorable than the terms given to other investors and are not subject to the approval of or specific disclosure to any investor or any other person.

Substantial Fees and Expenses. A client's fees and expenses include not only Borealis fees and the Funds' operating expenses, but also the compensation and fees paid to the Primary Funds, as well as pro rata share of the costs and expenses of the Primary Funds in which it invests. Due to this double layer of fees and expenses, a client's expenses will likely constitute a higher percentage of net assets than expenses of other investment entities which do not use a multi-manager approach. Also, clients may bear their pro rata share of the costs of negotiating the Strategic Capital Investments with Early Stage Managers, which may be significant, even if an agreement is not reached.

Affiliate Transactions. To the extent permitted by law, the Funds may, from time to time, engage in transactions with affiliates. These transactions may involve actual or potential conflicts of interest.

Master-Feeder Fund Structure. The Feeder Funds invest their assets solely in their respective Master Funds (except for such assets as the General Partner determines may be necessary or appropriate to pay any fees, expenses or other costs related to the Funds). The master-feeder fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in the Master Funds may be materially affected by the actions of larger investment vehicles investing in

the Master Funds. For example, if a larger investment vehicle redeems from the Master Funds, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Similarly, the Master Funds may become less diverse due to a redemption by a larger investment vehicle, resulting in increased portfolio risk. Further, the use of the master fund structure entails an additional layer of operating costs.

Cybersecurity Risk. The Funds, Borealis and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting the Funds and its service providers may adversely impact the Funds. For instance, cyber-attacks may interfere with the processing of Fund transactions, cause the release of private information about investors in the Funds, impede trading, subject the Funds and Borealis to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which the Funds may invest, which could result in material adverse consequences for such issues, and may cause the Funds' investment in such issuers to lose value.

Technology Risk. Borealis uses various technologies in managing the Funds, consistent with its investment objective and strategy described in this Memorandum. For example, proprietary and third-party data and systems are utilized to support decision making for the Funds. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect Fund performance.

The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in investing in the Funds. Prospective investors should read the applicable Memorandum and Partnership Agreement before determining whether to purchase Interests, in addition to consulting with their own financial and tax advisers. Prospective investors should also be aware that, if they decide to purchase Interests, they will have no role in the management of the Funds and will be required to rely on the expertise of the Borealis and the General Partner in dealing with the foregoing (and other) risks on a day-to-day basis.

Item 9 - Disciplinary Information

There are no legal or disciplinary events to report.

Item 10 - Other Financial Industry Activities and Affiliations

- A. Neither Borealis nor any of our management persons are registered or applying to register as broker-dealers or representatives of any broker-dealer.
- B. Neither Borealis nor any of our management persons are registered or applying to register as futures commissions merchants, commodity pool operators, commodity trading advisors, or associated persons of the foregoing entities. To the extent a client trades or is deemed to trade in commodity interests, Borealis will maintain certain exemptions from registration with the U.S. Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser, as applicable, with respect to such clients.
- C. An affiliate of Borealis serves as general partner to the Funds. Borealis does not have any arrangements with a related person who is a broker-dealer, securities dealer, government

securities dealer or broker, investment company or other pooled investment vehicle, investment adviser, financial planning firm, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services.

Principals, employees and affiliates of Borealis may hold significant investments in the Funds from time to time.

- D. Borealis does not have any formal arrangements or agreements to recommend or select other investment advisers for its clients or Limited Partners. To the extent a Limited Partner makes an investment in a Primary Fund directly (not through Borealis or its clients), Borealis will not directly receive compensation for such investments in a Primary Fund but may receive indirect compensation through the Strategic Capital Return Share on any applicable Strategic Capital Return from the Funds' investments in Primary Funds.

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

- A. We have adopted a Code of Ethics (the "Code of Ethics") that reflects our commitment to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the Funds and other accounts we manage, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our employees. With certain limited exclusions, personal securities transactions by employees require the pre-approval of the Chief Compliance Officer. We will provide a copy of our Code of Ethics to any client or prospective client upon request.
- B. Borealis may introduce Limited Partners to Primary Funds or Early Stage Managers but receives no direct or indirect compensation (aside from the Strategic Capital Return Share on the Strategic Capital Return from the Funds' investments in Primary Funds) for such recommendations. Further, Borealis may receive Strategic Capital Return Share on the Strategic Capital Return from the Fund's investments in Primary Funds as a result of a Limited Partner's use of the negotiated investment capacity rights. Additionally, Borealis, its employees, officers, and directors will invest in the Funds as limited partners alongside non-Borealis Parties, such as outside investors. While Borealis' clients are the Funds rather than the Limited Partners, Borealis will nonetheless act in the best interests of the Limited Partners, as their interests align with certain Borealis employees, officers, and directors, who are also invested in the Funds as Limited Partners.
- C/D. Borealis may recommend that the Funds purchase or sell an investment that is being sold or purchased, respectively, at the same time by Borealis, an affiliate, or another client. Borealis and its employees, officers and directors may invest in some of the Primary Funds or related investments in which the Funds may invest in the future, and these investments may be purchased, sold or liquidated independently of the Funds' investments. Such investments may influence Borealis' allocation of Fund capital among Primary Funds and its decision to

maintain, increase or withdraw assets from any particular Primary Fund, to the possible detriment of the Funds.

Item 12 - Brokerage Practices

- A. Investments that Borealis makes for the Funds are principally investments in privately offered hedge funds. As such, we do not anticipate performing direct trading or participating in soft dollar benefits. However, if we were to place trades directly, we will seek to obtain best execution for the Funds and may take into account factors including, but not limited to, the following: price quotes; difficulty of execution; the extent to which the counterparty makes a market in the security involved or has access to such markets; the counterparty's skill in positioning the securities involved; the counterparty's promptness of execution; the counterparty's reputation for diligence, fairness, and integrity; and any other factors deemed appropriate by Borealis. Borealis does not maintain soft dollar accounts and does not anticipate doing so at this time.
- B. While Borealis provides investment advisory services to two master-feeder structures, we do not anticipate aggregating the purchase or sale of securities. Should Borealis pursue a soft dollar arrangement, it will only use soft dollars to purchase research and items related to research pursuant to Section 28(e) of the Securities Exchange Act of 1933. If Borealis begins to utilize soft dollars, its Chief Compliance Officer and Managing Partner will review soft dollar mark-ups and the value of services received by Borealis to determine whether or not commission mark-ups paid in connection with soft dollars are commensurate with the value of the services received.

Item 13 - Review of Accounts

- A. Borealis' Managing Partner is primarily responsible for ensuring that the securities or financial instruments held by the Funds are consistent with the disclosures set forth in the relevant offering documents. The Managing Partner, or a member of the investment team, will periodically review the Funds' portfolio holdings to determine whether the securities held remain consistent with the applicable offering documents. The Managing Partner may also be assisted by the investment team or another designee with these efforts. The Managing Partner will consider any restrictions that are relevant. On a periodic basis, Borealis' Chief Compliance Officer will review the general ledgers of the Firm and the Funds to ensure that expenses have been allocated in a fair and equitable manner, consistent with the guidelines provided in the relevant governing documents.

During the Strategic Capital Commitment Period, Borealis will periodically meet with Early Stage Managers to review and discuss the performance of their respective Primary Funds. In addition, Borealis will review the Funds' Net Asset Value and Portfolio Performance on no less than a quarterly basis.

- B. Each Project Agreement Borealis enters with Primary Funds on behalf of the Funds will contain clauses creating early termination triggers, such as percentage drawdowns over a period of time or disqualifying disciplinary events. Borealis will monitor for the occurrence of such conditions as it deems necessary at its sole discretion.
- C. We generally provide each Limited Partner with, or with access to, monthly Capital Account statements with respect to their investment in the Main Funds and quarterly Capital Account Statements with respect to their investment in the Co-Investment Master Fund or Co-

Investment Feeder Fund, and may, at our discretion, provide periodic (generally quarterly) written reports indicating the results of operations, commentary regarding the Primary Funds and other matters concerning the applicable Fund's operations as the General Partner deems advisable.

On an annual basis, Limited Partners will receive a copy of the relevant Fund's annual report prepared by an independent public accounting firm selected by the General Partner, and where applicable, tax information. In certain circumstances, Borealis may offer oral intra-period estimated performance and other Fund information to investors, upon request.

Item 14 - Client Referrals and Other Compensation

- A. Borealis does not receive any economic benefits from non-client parties for providing investment advice to our clients.
- B. Borealis may engage selling agents to offer and sell interests in the Funds. Such selling agents may be paid a sales commission out of the Strategic Capital Return Share or the Management Fee made or paid to the General Partner and Borealis, respectively, or an asset-based "distribution fee" charged to the Limited Partners introduced by such selling agents. Depending on the type of sales commissions paid, such commissions may increase the aggregate expenses of any person investing in the Funds; provided however, that investors will be informed of any assets-based fees applicable to them prior to their investing in the Funds.

Item 15 - Custody

Borealis is deemed to have custody of the Funds. Except with respect to certain uncertificated securities, Borealis maintains the assets of the Funds in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act and provides investors the qualified custodian's name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. The assets held by the Primary Funds are held by the custodian or prime broker selected by each of the Primary Funds. Borealis takes responsibility for ensuring that the Funds are audited each year by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board. All reports of the annual audits are made available to each underlying investor upon issuance within 180 days of the end of each fiscal year, absent an applicable exemption from such delivery.

Item 16 - Investment Discretion

Borealis has discretionary authority over the Funds pursuant to the Funds' investment advisory agreements. Limited Partners generally may not place any limits on our authority beyond the limitations set forth in the Funds' offering and governing documents and/or Borealis' internal compliance manual.

Item 17 - Voting Client Securities

In general, Borealis' investment activities relate to creating portfolios of hedge funds and do not involve directly investing or trading in equity securities. Thus, the exercise of proxy voting rights typically involves only limited partner, shareholder, or investor votes with regard to hedge fund organizational or governance issues. We have adopted a policy for exercising proxy voting rights

as required under Rule 206(4)-6 of the Advisers Act. Our proxy voting policy is reasonably designed to ensure that we vote proxies, if any, in the best interests of any Borealis clients and its Limited Partners. In general, neither clients nor Limited Partners are able to direct proxy votes in a particular direction. When voting proxies, we will exercise our discretion in the best interests of our clients and its Limited Partners and vote in a prudent manner intended to enhance the economic value of the securities.

Our Chief Compliance Officer is responsible for resolving any material conflicts of interest related to proxy voting. Our employees are required to disclose any ownership interest in an underlying private fund or outside activities that may result in a conflict for Borealis. Any employee with knowledge of a potential conflict of interest relating to a particular proposal must disclose that potential conflict to the Chief Compliance Officer and remove himself or herself from the proxy voting process.

Upon the request of a client, we will disclose to such client how we voted securities owned by such client. A copy of Borealis' proxy voting policies and procedures is available upon request of a client. Clients may contact us via e-mail or telephone to request a copy of our proxy voting procedures or to inquire about the way in which a proxy was voted.

Item 18 - Financial Information

Borealis is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Funds and has not been the subject of a bankruptcy petition at any time during the past ten years.