

Item 1 – Cover Page

Form ADV Part 2A Brochure – Private Funds



Steelhead Capital Management, LLC
1751 River Run, Suite 400
Fort Worth, TX 76107
Firm CRD #173440

817-984-9197
<https://steelheadcm.com/>

March 31, 2021

This Brochure provides information about Steelhead Capital Management, LLC (“SCM”) including its qualifications and business practices. If you have any questions about the contents of this Brochure, please contact us at 817-984-9197. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about SCM is also available on the SEC’s website at www.adviserinfo.sec.gov. You may search the SEC’s site using a unique identifying number, known as a CRD number. The CRD number for Steelhead Capital Management, LLC is #173440.

ITEM 2: MATERIAL CHANGES

Since the filing of its last Form ADV Part 2A Brochure for Steelhead Capital Management, LLC (“SCM” or the “Adviser”) on March 25, 2020, there have been no material changes to the Adviser’s business. Certain routine, non-material updates have been made throughout this Brochure.

Going forward, SCM will provide clients with a summary of any material changes to this Brochure within 120 days of the close of its fiscal year end. SCM will provide additional interim disclosure about material changes, if warranted, in compliance with regulatory guidance. For a current copy of the Adviser’s Brochure, please contact our Chief Compliance Officer at 817-984-9197. Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov by searching CRD #173440.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

- ◆ *An offer or agreement to provide advisory services to any person;*
- ◆ *An offer to sell interests (or a solicitation of an offer to buy interests) in any Fund advised by Steelhead Capital Management, LLC; or*
- ◆ *A complete discussion of the features, risks or conflicts associated with any Fund advised by Steelhead Capital Management, LLC.*

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Steelhead Capital Management, LLC provides this Brochure to current and prospective Clients. Steelhead Capital Management, LLC may also, in its discretion, provide this Brochure to current or prospective investors in certain Funds, together with other relevant offering materials, such as the Fund’s private placement memorandum, prior to, or in connection with, such persons’ investment in such Funds.

Although this Brochure describes the investment advisory services of Steelhead Capital Management, LLC, persons who receive this Brochure (whether or not from Steelhead Capital Management, LLC) should be aware that it is designed solely to provide information about Steelhead Capital Management, LLC as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant offering materials.

More complete information about each Fund advised by Steelhead Capital Management, LLC is included in relevant offering materials, which may be provided to current and eligible prospective investors only by Steelhead Capital Management, LLC, or its authorized agents. If there is any conflict between information conveyed in this disclosure document and that conveyed in any offering materials, the information contained in the relevant offering materials shall be deemed to govern and control.

TABLE OF CONTENTS

	<u>Page</u>
ITEM 1: COVER PAGE	i
ITEM 2: MATERIAL CHANGES	ii
IMPORTANT NOTE ABOUT THIS BROCHURE.....	iii
ITEM 3: TABLE OF CONTENTS	iv
ITEM 4: ADVISORY BUSINESS	1
ITEM 5: FEES AND COMPENSATION.....	4
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	8
ITEM 7: TYPES OF CLIENTS.....	9
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
ITEM 9: DISCIPLINARY INFORMATION.....	31
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	31
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	34
ITEM 12: BROKERAGE PRACTICES	36
ITEM 13: REVIEW OF ACCOUNTS	40
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....	41
ITEM 15: CUSTODY	41
ITEM 16: INVESTMENT DISCRETION	42
ITEM 17: VOTING CLIENT SECURITIES.....	42
ITEM 18: FINANCIAL INFORMATION	43
ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS	44

ITEM 4: ADVISORY BUSINESS

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Steelhead Capital Management, LLC is a limited liability company formed in Texas to provide investment management services to private funds. The principal owner of Steelhead Capital Management, LLC is Leslie Wayne Kreis, Jr.

Steelhead Capital Management, LLC provides investment advice to unregistered pooled investment vehicles (the “Funds” and individually a “Fund”) with respect to the acquisition, management, and disposition of investments in early-stage and growth-stage biotech and medical device companies, including, without limitation, equity securities, debt securities and securities convertible or exchangeable into or exercisable for equity interests (collectively, the “Company interests”). Steelhead Capital Management, LLC’s investment management services consist of investigating, analyzing, structuring, and negotiating potential Fund investments, monitoring the performance of Fund investments, advising the Funds as to disposition opportunities, and providing certain other related services to the Fund. Steelhead Capital Management, LLC typically establishes separate investment vehicles to invest in or facilitate the investment in a business, on a deal-by-deal basis.

Each Fund’s terms could be different, including with respect to different mandates, minimum investment size, and investment restrictions. Each Fund is a privately offered investment vehicle exempt from registration under the Investment Company Act of 1940, as amended, and its securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Affiliated Entities

Steelhead Capital Management, LLC has entered into a written investment management agreement with each of BIOS Equity Partners, LP and BIOS Equity Partners II, LP (the “General Partners” and each a “General Partner”) to manage each Fund. Each General Partner is 50% owned by Leslie Wayne Kreis, principal of Steelhead Capital Management, LLC and 50% owned by Aaron Fletcher, principal of Bios Capital Management, LP.

Each Fund will generally pay management and/or performance fees to the General Partner of that Fund. The General Partner does not have employees and thus contracts with and provides the authority to SCM to perform the services required to administer a Fund. All current and future General Partners are deemed registered under the Advisers Act, as part of Steelhead Capital Management, LLC’s registration, in accordance with SEC guidance.

This management structure can potentially lead to conflicts of interest. For example, a Fund will be managed by the General Partner, which is beneficially owned by one or more Principals. The Principals will also acquire interests and become investors in a Fund, giving the Principals the right to vote on matters subject to the vote of investors. In setting various fees and other conditions for management of a Fund and in determining distributions, the members of the General Partner have potential conflicts of interest between their personal interests as members of the General Partner and their fiduciary duties to a Fund. There can be no assurances that the financial

arrangements between the General Partner and/or affiliates of the General Partner and a Fund are no less favorable to a Fund than could be negotiated in arm's length dealings. Prospective investors are urged to consider for themselves whether the management arrangements and allocation of distributions contemplated for a Fund are fair and reasonable.

Each affiliated General Partner is deemed to operate as a single advisory business together with SCM, pursuant to SCM's registration, in accordance with SEC guidance. Throughout this Brochure, Steelhead Capital Management, LLC, together with its affiliates, including General Partner entities, are referred to as "SCM", the "Adviser", "we", "us", and "our."

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

SCM Advisory Services

SCM serves as investment adviser and provides discretionary investment advisory services to each Fund. Each Fund is an advisory client of SCM. While this Brochure is provided to limited partners ("investors" or "limited partners") in a Fund, SCM does not provide investment advice directly to limited partners and therefore, limited partners are not clients of SCM.

Generally, the Funds are offered exclusively to individuals who qualify as "accredited investors" under Regulation D promulgated under the Securities Act, and/or "qualified purchasers" as defined under Section 2(a)(51) of the Investment Company Act. The Funds are therefore not required to register as investment companies with the SEC in accordance with an applicable exception or exemption under the Investment Company Act, including the exemptions set forth in Sections 3(c)(1) or 3(c)(7). Investment strategies and guidelines are not tailored to the individualized needs of any particular investor in a Fund. Once invested in a Fund, an investor cannot impose restrictions on the types of securities in which such Fund will invest. Investments in a Fund involve significant risks and should be regarded as long-term in nature, forming only one portion of an investor's diversified investment portfolio.

Fund Structure

Each Fund is organized to facilitate an investment in a single portfolio company or to build a diversified portfolio of private companies. The specific investment strategy, structure, diversification guidelines, terms of investment, and other terms and conditions associated with each Fund are described in the Fund's subscription agreement, offering memorandum, operating or limited partnership agreement, or similar disclosure and governing documents (collectively, the "Offering Documents") prepared specifically for the offering of interests in such Fund. With respect to any Fund, this Brochure is qualified in its entirety by the Offering Documents.

Investment Strategy

The purpose of each Fund is to (i) acquire, own, hold, vote, manage and dispose of portfolio company interests, (ii) own, hold, vote, manage and dispose of any other property or securities received by a Fund as a distribution on portfolio company interests in connection with any conversion, recapitalization, split or other change in company interests, or acquired by the Fund upon the exercise of any right associated with company interests, and (iii) do any and all other acts and things necessary or incidental to the foregoing or to carry on the business of the Fund as expressly contemplated under the Offering Documents. The investment term of each Fund is specified in the applicable Fund's Offering Documents.

Each Fund will generally utilize one of the following exit strategies to monetize portfolio assets: (i) sell a portfolio company privately; (ii) sell public securities back to the issuer; or (iii) take the portfolio company public via an initial public offering. It is anticipated that most portfolio companies will be sold to private buyers. The Funds mainly invest in non-public companies, although they are permitted to invest in public companies, subject to any limits set forth in the applicable Fund's Offering Documents. Each Fund could also hold public company investments as a result of a sale of all or a portion of a Fund's investments in a portfolio company, such as when a portfolio company goes public or is sold to a public company and a Fund receives stock. When investing in portfolio companies, the Principals of the Adviser often serve on portfolio company boards of directors or otherwise act to influence the management of these companies until the applicable Fund exits the investment.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

As noted above, once invested in a Fund, an investor cannot impose restrictions on the types of securities in which such Fund will invest. SCM tailors its advisory services to the particular investment strategy, criteria, and guidelines as set forth in the Offering Documents for each Fund that is a client of SCM.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

SCM does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

As of December 31, 2020, SCM managed \$251,953,449 in regulatory assets under management on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Management Fees

Each investor in a Fund is charged an investment management fee (the “Management Fee”) by the General Partner that is based on the aggregate capital commitments, invested capital or adjusted capital contributions of limited partner investors, depending on the stage of a Fund’s lifecycle. The amount of, and the manner and calculation of, the Management Fee is established through negotiations between SCM and each Fund and is set out in each Fund’s Offering Documents. SCM expects that Management Fees will be deducted from the capital called from each Fund investor’s committed capital on a quarterly basis in advance and paid to SCM or the Fund’s General Partner. The Management Fee is prorated for any period less than a calendar quarter for which it is payable.

Where a Fund’s Offering Documents calculate Management Fees based on the amount of capital commitments, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by relevant Offering Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Carried Interest

In addition to the payment of ongoing Management Fees, a Fund (and indirectly the limited partner investors) is also typically required to allocate to the General Partner of the applicable Fund a carried interest based upon a percentage of a Fund’s return on invested capital. Co-investment vehicles formed to facilitate a Fund’s investment will generally be subject to any carried interest. For additional details about such performance-based compensation, please refer to *Item 6 – Performance-Based Fees and Side-by-Side Management*.

Management Fees, carried interest, and/or any other compensation payable to the Adviser or its affiliates are generally negotiated with a Fund’s limited partner investors and will depend on, among other factors, the amount of capital committed to a Fund.

Waiver of Management Fees

The compensation described herein has been modified and differs from one Fund to another, as well as among investors in the same Fund. The Management Fee and carried interest will generally be reduced or waived in some circumstances in connection with the receipt by SCM or its related persons of various fees paid by actual or prospective Fund portfolio companies or by certain organizational or other expenses borne by such Fund. SCM also reduces or waives Management Fees and/or the carried interest for investors affiliated with SCM and/or its members.

Directors Fees

SCM is entitled to receive and retain any and all fees received from or interests in any portfolio company or any affiliate of any portfolio company that are paid or issued in exchange for SCM’s services as a member of the board of directors or similar governing body of any such portfolio

company or affiliate (collectively, “Director’s Fees”). As specified in each Fund’s Offering Documents, a percentage of such Director’s Fees will operate to reduce the Management Fee that would otherwise be payable in respect of the next quarterly period, as determined by reference to the quarterly period in which such amounts are paid or such interests are awarded, until the Management Fee for such period is reduced to zero, then against each successive quarterly payment of the Management Fee thereafter until the entire amount of the reduction has been applied. Certain conditions apply in the event of co-investment or parallel investment vehicles invested in such portfolio company. Any amounts that are not applied to offset the Management Fee during the term of the Fund, but that remain outstanding at the end of the term of the Fund, are generally distributed to limited partner investors at the end of the term of the Fund. See each Fund’s Offering Documents for more information about fee offsets.

Consulting Fees, Break-Up Fees, Transaction Fees

Any and all consulting fees, break-up fees, transaction fees, advisory fees and other similar fees (other than Director’s Fees or Administrative Fees, as defined below), received by SCM or its affiliates from or related to any portfolio company will operate to reduce the Management Fee that would otherwise be payable in respect of the next quarterly period, as determined by reference to the quarterly period in which such amounts are paid, until the Management Fee for such period is reduced to zero, then against each successive quarterly payment of the Management Fee thereafter until such fees have been fully applied; provided, however, that, a percentage of less than one hundred percent (100%) will be applied for this purpose to the extent that the General Partner determines, in its sole discretion, that any such amounts are attributable to both the Fund and one or more successor Funds, with such reduced percentage to be determined by the General Partner by reference to the relative amounts invested in the applicable portfolio company (or affiliate thereof) by the Fund and each applicable successor Fund. Any such fees that are not applied to offset the Management Fee during the term of the Fund will be distributed to the limited partners at the end of the term of the Fund. Notwithstanding anything to the contrary set forth in this paragraph, the above-described reduction in the Management Fee shall not occur with respect to any fee received from, or interests in, any portfolio company in which SCM and its affiliates have invested (other than through the Fund) prior to the date of a Fund’s initial closing.

Fund Expenses

Except as set forth below in “Affiliate Transactions,” SCM is responsible for all of its own administrative and overhead costs and expenses, including salaries, benefits, and rent. The Funds will pay (or will reimburse SCM and/or its partners, members, managers, officers or employees, to the extent applicable) for any and all other costs, expenses, liabilities, and obligations incurred in connection with a Fund’s organization, business and/or operation, including, without limitation: (a) filing fees and related organizational expenses; (b) fees, costs and expenses in connection with an annual audit of a Fund’s financial condition, results of operations and related matters; (c) fees, costs and expenses arising from a Fund’s compliance and regulatory obligations; (d) fees, costs and expenses incurred in connection with the preparation of reports made to investors; (e) taxes, fees and other governmental charges levied against a Fund; (f) fees, costs and expenses incurred in connection with any tax or regulatory audit, investigation, settlement or review of a Fund by any governmental authority; (g) fees, costs and expenses of meetings of any Advisory Board and of the investors; (h) fees, costs and expenses related to insurance and indemnification; (i)

accounting costs, legal expenses, brokerage expenses, and other transaction costs, consulting expenses and research expenses (including travel expenses (including airfare, hotel and meals)) incurred in connection with the purchase or sale or any proposed purchase or sale, holding or disposition of investments, including any and all such costs and expenses incurred in connection with unconsummated transactions; (j) extraordinary expenses, such as litigation expenses and indemnification expenses; (k) expenses of liquidating a Fund; (l) placement fees; and (m) the Management Fee (collectively, “Fund Expenses”).

A Fund’s Offering Documents will in certain cases impose an annual limitation on Fund Expenses, calculated on the basis of aggregate capital commitments, without giving effect to the Management Fee and any extraordinary expenses.

Allocation of Fees and Expenses

A Fund generally pays (or reimburses the Adviser) for its proportionate share of fees and expenses which are incidental or related to the maintenance of a Fund or the buying, selling, and holding of investments according to the methodology set forth in the Offering Documents of such Fund. It is expected that certain expenses associated with completed investments will be borne by the portfolio company in which the Fund has invested, which will result in all owners of that portfolio company indirectly bearing that expense. However, certain investment related expenses will be allocated to and borne by a holding vehicle or other entity through which the Fund makes and holds its investment in a portfolio company, which will result in the Fund bearing a greater proportion of such expenses than would be the case if they were paid by the portfolio company. To the extent not allocated to a portfolio company, SCM allocates fees and expenses incurred in the course of investment advice and investment supervisory services between Funds in accordance with the Offerings Documents, generally, but not exclusively, *pro rata* based upon aggregate capital commitments.

Expenses that are attributable to more than one Fund generally are allocated among such Funds based on a methodology deemed appropriate and equitable by the Adviser, for example on the basis of respective aggregate capital commitments or net assets under management. While the Adviser believes 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.

The Adviser pays its share of any expenses that are attributable to management company operations. The Adviser’s Chief Financial Officer is responsible to oversee the fee and expense allocation process.

Blocker, Co-Investment, and Parallel Vehicles

If a Fund proposes to structure an investment using a blocker corporation or other intermediate entity to avoid causing certain limited partners to incur “unrelated business taxable income” or “effectively connected income” (each within the meaning of the U.S. Internal Revenue Code of 1986, as amended), all costs, expenses and reduction in proceeds attributable to such blocker corporation or other intermediate entity, including those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, a

blocker corporation or other intermediate entity shall be borne solely by the limited partners investing through such blocker corporation or other intermediate entity.

For legal, tax, regulatory, accounting, or other similar reasons, a Fund is authorized to form one or more alternative investment entities to make, restructure or otherwise hold investments, including outside of a Fund (including any flow-through investment vehicle). Generally, in such event, each limited partner that participates in such an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in a Fund; provided that each limited partner elects through a subscription agreement whether to participate in flow-through investment vehicles. Alternative investment vehicles are included in all references to a Fund throughout this Brochure, as appropriate.

As described further in *Item 12 – Brokerage Practices*, in certain circumstances, the Adviser will permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to the Adviser's related policies and the relevant Offering Documents and/or side letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Fund. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all broken deal expenses relating to such proposed transaction will be borne by a Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

The Adviser is authorized under the Offering Documents of each Fund to charge and deduct Management Fees directly from the contributed capital and/or other assets of the applicable Fund. Management Fees are generally payable by a Fund quarterly in advance. The General Partner of a Fund typically calls capital from investors for their pro rata share of Fund expenses (including, in the case of limited partner investors not designated as "affiliated partners", Management Fees). Following the dissolution of a Fund, the General Partner of a Fund will, in accordance with the partnership agreement, make a final determination of all items of income, gain, loss and expense. After payment or provision for payment of all liabilities and obligations of a Fund, the remaining assets, if any, will, in accordance with the partnership agreement, be distributed to investors.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Administrative Fees

To the extent that SCM receives any compensation for accounting, administrative or other "back-office" services from a portfolio company (collectively, "Administrative Fees"), then SCM is

entitled to retain all such amounts and neither the Fund nor any limited partner investor is entitled to any such amounts. Such fees do not offset Management Fees.

Affiliate Transactions

SC Services, LLC an affiliate of SCM, has been engaged to perform certain administrative and “back-office” services on behalf of each Fund and, in connection therewith, receives commercially reasonable compensation from each such Fund, which is expensed to the Fund and is not offset by management fees. While the compensation payable to this SC Services, LLC for such services reflects the General Partners’ reasonable determination for such compensation based on established commercial practices, it is not the result of arm’s length negotiations, and therefore represents a conflict of interest. To mitigate this conflict, SC Services, LLC has adopted written accounting procedures which are reviewed by SCM to assure comportment with the Adviser’s fiduciary duty. Such arrangements are also subject to the consent of the advisory board of each Fund.

Other Fees and Expenses

The fees and expenses outlined above do not represent all applicable fees and expenses borne by a Fund. The Adviser in its sole discretion will pay for or reimburse a Fund for a portion or all of any of the above expenses normally borne by a Fund. For further discussion of brokerage fees, commissions and other related transaction costs and expenses, please refer to *Item 12 – Brokerage Practices* and a Fund’s Offering Documents.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Management Fees are generally paid quarterly and are typically paid in advance. To the extent that Management Fees are paid in advance, there typically would not be any refund of pre-paid fees if the advisory contract is terminated before the end of a quarterly period. Under the legal terms of a Fund’s subscription agreement that is signed by each investing limited partner for each Fund, limited partners are not permitted to withdraw from a Fund and are required to maintain their investments throughout the life of a Fund. The transfer or assignment of limited partner interests requires the approval of the applicable Fund’s General Partner. See applicable Fund Offering Documents for more details.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.

SCM and its employees do not receive compensation, sales charges, or service fees, for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

In addition to the compensation discussed in *Item 5 – Fees and Compensation*, an affiliate of the Adviser, as the General Partner of a Fund, is typically eligible to receive performance-based compensation, also referred to as “carried interest.” Carried interest is equal to a percentage of a Fund’s or portfolio company’s net profits. Any carried interest will be paid in accordance with Section 205(3) of the Advisers Act and the applicable rules promulgated thereunder, which specify certain qualification thresholds for clients of the Adviser being assessed such a fee and for client limited partners. Any share of profits paid to the General Partner of a Fund is separate and distinct from the Management Fees charged by the Adviser for advisory services to a Fund.

Mitigating Conflicts of interest Associated with Carried interest

Carried interest creates an incentive for the Adviser and a Fund’s General Partner to make more speculative investments for a Fund than it would otherwise make in the absence of such performance-based compensation. However, conflicts of interest associated with carried interest are mitigated by: (i) the requirement that invested capital and related expenses be returned to investors before the General Partner of a Fund becomes entitled to receive any carried interest; and (ii) and in most cases, the requirement that the General Partner have a capital commitment to a Fund.

Additionally, if SCM personnel are assigned varying percentages of carried interest from a Fund, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

The Adviser seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to a Fund in accordance with each Fund’s investment guidelines and Offering Documents, as well as other factors that do not include the amount of performance-based compensation received by the Adviser or its personnel.

ITEM 7: TYPES OF CLIENTS

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements

for opening or maintaining an account, such as a minimum account size, disclose the requirements.

As noted in *Item 4 – Advisory Business*, SCM provides discretionary investment advisory services to the Funds, which are clients of SCM. Limited partners of a Fund are not considered investment advisory clients of SCM. Fund limited partners include high net worth individuals, other investment entities, university endowments, family offices, trusts, estates or charitable organizations or other corporations or business entities and often include, directly or indirectly, the Principals or other employees of SCM and its affiliates and members of their families.

Investment minimums are set forth in each Fund’s Offering Documents. SCM will in certain situations waive or reduce minimum investment requirements in its discretion and reserves the right to decline any investor in its sole discretion.

Multiple Funds

The Adviser manages multiple investment funds and investments similar to those in which an active Fund will be investing and when deemed appropriate will direct certain relevant investment opportunities to those investment funds and investments. If other investment funds are formed, the Principals and the Adviser’s investment staff will manage and monitor such investment funds and investments. The Adviser believes that the investment of the Principals in a Fund, as well as the Principals’ share of carried interest, operate to align, to some extent, the interest of the Principals with the interest of limited partner investors, although the Principals have or will have economic interests in such other investment funds and investments as well and receive Management Fees and carried interests relating to these interests. Such other investment funds and investments that the Principals control or manage may compete with an active Fund or companies acquired by a Fund. New investments will be allocated in accordance with the Adviser’s allocation policies, and as set forth in Fund Offering Documents.

Alternative Investment Vehicles

Any Alternative Investment Vehicle will contain terms and conditions substantially similar to those of the Fund and will be managed by SCM. The profits and losses of an Alternative Investment Vehicle generally will be aggregated with those of the Fund for purposes of determining distributions by the Fund or such vehicle, unless SCM determines that such aggregation would increase the risk of any adverse tax or other consequences. Any Alternative Investment Vehicle will be responsible for its pro rata share of expenses, except that the costs and expenses relating to such Alternative Investment Vehicle (including entity level taxes and formation costs of such Alternative Investment Vehicle) shall be borne solely by the investors in such entity.

Parallel Investment Entities

From time to time, SCM establishes one or more parallel funds or investment entities (each a “Parallel Fund”) in either U.S. or non-U.S. jurisdictions to accommodate the investment requirements of certain investors. Any such Parallel Fund generally will invest side-by-side with the applicable Fund in all Fund investments on the basis of available capital, will contain terms and conditions substantially similar to those of the Fund and will be managed by SCM. Any

Parallel Fund will be responsible for its pro rata share of expenses, except that each Parallel Fund shall bear all expenses of its formation, operation and liquidation unless otherwise determined by SCM in its sole discretion.

Feeder Funds

In addition, from time to time, SCM organizes one or more special purpose feeder fund vehicles or uses alternative structures to address legal, regulatory, tax or other considerations particular to any investor or class of investors (“Feeder Funds”). Any such Feeder Fund will be a limited partner of the Fund (or of a Parallel Fund) and have no other activities.

SPACs

Except to the extent prohibited by Offering Documents, SCM and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder, or manager) for other pooled investment vehicles, accounts, or special purpose acquisition companies (“SPACs”), and to receive compensation (including in the form of management fees, performance-based compensation, founders’ equity, or similar interests) relating thereto.

ERISA

SCM intends to operate each Fund so that the assets of the Fund will not be considered “plan assets” under ERISA or the Code. SCM is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any investment in a Fund by a benefit plan investor. Each prospective investor subject to ERISA or the Code is urged to consult its own advisors as to the provisions of ERISA and the Code applicable in an investment in a Fund.

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

- A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

Methods of Analysis and Investment Strategies

SCM forms Funds to address the capital resources gap that it perceives to exist with respect to early-stage biotech and medtech companies where funding needs are often both too small for traditional venture capital and too large or sophisticated for “angel” investors. SCM seeks to fill this perceived gap by not only providing institutional capital, but also by utilizing its industry expertise to shepherd the target company forward through the pre-clinical and early-stage clinical process and, ultimately, to an exit. SCM focuses on companies that it believes to exhibit strong potential and a fit with its desired company attributes, based on its thorough business, legal and scientific due diligence, and valuation process.

SCM seeks to disrupt the “geographic favoritism” that it believes exists in the early-stage biotech funding market. SCM believes that there is a disproportionate amount of capital located in regions traditionally associated with venture capital financing, such as the West Coast and New England. SCM believes that, because of this perceived geographic favoritism, opportunities with compelling

science across the South, South Eastern and the Central United States are often overlooked and undervalued. SCM has developed relationships with leading scientific research institutions, experienced industry experts and a consortium of biotech networks that allow it access to a multitude of opportunities. SCM believes that a void of sophisticated investors in these regions often results in it having an informational edge in identifying and sourcing of new investment opportunities.

Additionally, SCM believes in investment activism. SCM believes that great science often never meets the marketplace due, in part, to the fact that CEOs of early-stage companies in this space, who are often scientifically experienced, but lack the business experience and acumen required to move their company forward. SCM generally seeks board participation and control in such companies to seek to actively influence company operations and strategic direction. SCM seeks to leverage extensive industry experience to provide a much-needed resource for portfolio companies looking to foster an entrepreneurial environment while piloting their company forward from the clinic to FDA approval.

Companies possessing life-giving technology with the opportunity to meet highly unmet medical needs and create a significant global impact are prerequisite attributes sought by SCM in the initial opportunity sourcing stage. SCM is looking for companies that possess a clear development path from clinic to FDA approval, a well-characterized method of action and a thorough basis in scientific understanding. Furthermore, SCM looks for companies that have a CEO with strong industry experience who is open to shepherding in areas in which he or she are less experienced.

The investment process begins with the sourcing stage. Time is generally spent filtering opportunities and narrowing the list of attractive opportunities based on the integrity of the life-changing scientific concept, intellectual property, executive and scientific team experience, and the opportunity on a financial basis. Through this process, SCM narrows the opportunity set to a select few that will be prospects for a preliminary round of diligence.

Thereafter, SCM generally engages in a preliminary due diligence process. SCM typically examines the current financial health of a target company, paying specific attention to future cash expenditures in analyzing the appropriate amount of money required to allow the company to have a long enough cash runway to meet the company's sequential milestones. Furthermore, SCM typically conducts an in-depth analysis on the overall size of the expected opportunity. In conjunction with its business due diligence, SCM seeks to leverage the expertise of its team members in reviewing the scientific timelines and schedules to determine if they are realistic based upon the current and historical trends and the clinical approval processes.

The final stage of the SCM due diligence process involves a deep analysis of the opportunity by the SCM team in conjunction with a company's executives and scientific experts. The financial and legal process typically involves a review of the capitalization of the company, financial and legal obligations of the company, budgets and cash flow projections, and analysis of the potential market opportunity. Concurrently, the scientific due diligence process involves a careful analysis of the company's preclinical data, regulatory strategy and FDA communications, clinical plans, manufacturing and chemistry, pharmacology and toxicology, patents, intellectual property, and commercial position once approved.

Upon a decision to move forward to invest in a company, the SCM Investment Committee will be required to provide formal authority for the Fund to move forward with an investment. Upon completion of the investment process, SCM will generally seek to maintain an activist approach which often involves working hand-in-hand with the company to execute the company's go-to-market plan, which often includes participation by a representative of SCM on the company's board of directors.

Through seeking board participation, SCM seeks to ensure that it has a voice in the future direction of the company. The goal is to find companies exhibiting the potential for significant global impact and help them realize this potential by exiting through merger, acquisition, or initial public offering.

Risk of Loss

An investment in a Fund involves significant risks and should be undertaken only by prospective investors capable of evaluating and bearing such risks. Fund returns are unpredictable and, accordingly, a Fund's investment program is not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in a Fund as part of a broader overall investment strategy, and only if the prospective investor is able to withstand a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the limited partner interests. Due to these factors, as well as other risks inherent in any investment, there can be no assurance that a Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program.

The risks disclosed in this Brochure do not represent all risks and other considerations involved in connection with an investment in a Fund. Prospective investors should make their own inquiries and investigation, including an evaluation of the merits and risks involved and the legality and tax consequences of a Fund investment, and consult their own advisors as to a Fund, the offering of limited partner interests, and the legal, tax and related matters concerning an investment in a Fund.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Set out below is a brief outline of some of the important risks to which SCM expects a Fund or other client are generally subject as a result of SCM's investment strategies. Before deciding to invest in a Fund, prospective investors should carefully consider all of the risk factors and other information set out here and in the Offering Documents. Prospective investors should also consult with their own financial, tax and legal advisors regarding the suitability of an investment in a Fund. Investing in securities involves risk of loss that clients and Fund investors should be prepared to bear.

Lack of Operating History; Relation of Previous Investment Experience. Each Fund is a newly formed entity with no or limited operating history. Any prior investment results of SCM are not indicative of a Fund's future investment results. Notwithstanding any prior experience that SCM may have in making investments of the type anticipated to be made by a Fund, any such prior experience may have been obtained in different structures and under different market conditions and with different technologies at the forefront of development. The nature of and risk associated with the portfolio companies may differ from prior investments and strategies undertaken historically by SCM. There can be no assurance any portfolio company will perform as well as the past investments of SCM or that a Fund will be able to avoid losses.

Reliance on SCM. SCM has exclusive responsibility for a Fund's activities, and, other than as may be set forth in a Fund's Offering Documents, limited partner investors will not be able to make investment decisions or any other decisions in connection with the management of a Fund. Limited partner investors will have no opportunity to control the day-to-day operations of a Fund, including, without limitation, investment, and disposition decisions. To safeguard their limited liability for the liabilities and obligations of a Fund, limited partner investors must rely entirely on SCM to conduct and manage, respectively, the affairs of each Fund, including their ability to select the investments to be made by each Fund using the capital available to each Fund. The success of each Fund depends in large part upon the skill and expertise of SCM. There can be no assurance that any particular individual will continue to be associated with or employed by SCM throughout the life of a Fund. The loss of key personnel could have a material adverse effect on a Fund.

Difficulty of Locating Suitable Investments. The business of a Fund is highly competitive. The success of a Fund will depend on the ability of the Fund and SCM to identify suitable portfolio companies for investment and to negotiate and arrange the closing of appropriate transactions. SCM competes for investment opportunities and may be unable to identify a sufficient number of attractive investment opportunities for a Fund to meet its investment objectives.

Loss of Investment; Inadequate Return. There is no assurance that Fund investors will receive the expected return on their investments. No assurance can be given that the returns on an investment in a Fund will be commensurate with the risk of such investment in a Fund. Investors should not invest in a Fund unless they have the resources to sustain the loss of their entire investment.

Speculative Investment Strategy. A Fund's investment strategy may not be diversified and is speculative. For deal-by deal Funds, the Fund's entire investment strategy is to acquire non-registered equity securities in a single company. Each company is typically a private corporation that may not be profitable and may have a speculative business plan. Investors should be willing and able to accept a total loss of their investment in a Fund.

Illiquidity. Fund interests are illiquid and subject to certain restrictions on transfer. A Fund is a closed-end investment fund designed for long-term investors. An investor should not invest in a Fund if the investor needs a liquid investment. Investors in a Fund do not have the right to redeem their interests. The transferability of the interests is subject to certain restrictions contained in a Fund's Offering Documents and is affected by restrictions imposed under applicable securities laws. Fund interests are not traded on any national or other securities exchange or other market.

No market currently exists for the interests while the Funds do not expect that one will develop. Therefore, the interests are not readily marketable and should only be acquired by investors able to commit their funds for an indefinite period of time.

Fees and Expenses. Limited partners are required to bear Fund expenses. By investing in a Fund, as opposed to investing directly in a company, a limited partner is required to bear Fund expenses. A limited partner is also required to bear carried interest. However, by investing through a Fund, a Fund believes that the limited partners benefit from the professional management of a Fund and larger voting power in the portfolio company.

Projections. A Fund may rely upon projections developed by SCM or outside sources concerning a particular portfolio company's future performance and cash flow. These projections will be based upon certain assumptions and upon information provided by and judgments made by outside parties. These projections will be estimates of future results and, therefore, there can be no assurance that the projected results will be achieved. Actual results may vary significantly from the projections, and general economic conditions and other factors out of the control of SCM may negatively impact the reliability of the financial projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.

Restrictions on Transfer and Withdrawal. An investment in a Fund requires the financial ability and willingness to accept significant risk and illiquidity. An investment in a Fund requires a long-term commitment, with no certainty of return. Fund interests are not registered under the Securities Act or any other applicable securities laws. There is no public market for Fund interests, and none is expected to develop. In addition, Fund interests are not transferable except with the consent of SCM (and in other limited circumstances as described in a Fund's Offering Documents), which generally may be withheld by SCM in its sole discretion and are further subject to the terms and conditions of a Fund's Offering Documents. Limited partner investors generally may not withdraw capital from a Fund. Consequently, limited partner investors may not be able to liquidate their investments prior to the end of a Fund's term, or even thereafter if investments are distributed in kind.

Consequences of Default by a Limited Partner. If a limited partner investor fails to pay when due installments of its capital commitment, and the capital contributions made by non-defaulting limited partner investors and other alternative sources of funds available to a Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due or take advantage of investment opportunities available to it. As a result, a Fund may be subject to significant consequences that could materially adversely affect the returns to the limited partner investors (including non-defaulting limited partner investors).

Excuse or Exclusion from Investments. Any limited partner investor may be excluded in whole or in part from any investment if SCM delivers a written notice to such limited partner investor that such participation, or participation to such extent, as the case may be, would be reasonably likely to have a material adverse effect on a Fund, any portfolio company, or SCM, as determined by SCM in its sole discretion.

Required Withdrawals. A limited partner investor may be required to withdraw from a Fund if it is determined by SCM that (a) assets of the Fund may be characterized as plan assets of any plan for purposes of ERISA, Section 4975 of the Code, or other applicable similar laws, (b) a Fund or any investor may be subject to any requirement to register under the Investment Company Act, or (c) a significant delay, extraordinary expense or material adverse effect on the Fund or any of its affiliates, any Fund investment or any prospective investment is likely to result.

Risks Relating to Carried Interest. The fact that SCM is entitled to distributions based on the performance of a Fund may create an incentive for SCM to cause a Fund to make investments that are more speculative than would be the case in the absence of performance-based distribution.

Factual Statements. During the term of a Fund, SCM will provide to the limited partner investors reports and other information regarding the condition and prospects of the Fund and the portfolio companies. SCM's duties, obligations, and liability to limited partner investors with respect to the content, completeness and accuracy of such information will be determined solely in accordance with a Fund's Offering Documents.

Indemnification Obligations. Indemnification obligations of a Fund may adversely affect a Fund. A Fund generally agrees to indemnify against all costs, expenses, losses, damages, claims, liabilities, fines and judgments (including legal or other expenses reasonably incurred in investigating or defending against any such cost, expense, loss, damage, claim, liability, fine or judgment and any sums which may be paid with the consent of the General Partner in settlement thereof) that may be incurred or asserted against it in connection with or arising from any threatened, pending or completed proceeding to which it may be made a party or otherwise be involved or with which it shall be threatened by reason of any action taken or omitted to be taken on behalf of a Fund or in furtherance of its interest or otherwise arising out of or in connection with a Fund or its investments, subject to certain limitations. In addition, a Fund generally agrees to pay expenses incurred to defend a proceeding in advance of the final disposition of the proceeding upon receipt of an undertaking by the Covered Person to repay such payment if there shall have been an adjudication or determination that it is not entitled to indemnification as provided in a Fund's Offering Documents. If a Fund were required to make payments in respect of any such obligations, a Fund could be materially adversely affected.

Recourse to a Fund's Assets. The liabilities and other obligations of a Fund will be satisfied out of a Fund's assets. A Fund's assets, including any investments made by a Fund, are available to satisfy liabilities and other obligations of a Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Fund's assets generally.

Compliance with Anti-Money Laundering Requirements. In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, SCM may ask a limited partner investor to provide additional documentation verifying, among other things, such limited partner investor's identity and source of funds used to purchase Fund interest. SCM may decline to accept a subscription if this information is not provided or on the basis of such information that is provided. Requests for documentation and additional information may be made at any time during which a limited partner holds a Fund interest. SCM may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental

authorities, in certain circumstances without notifying the limited partner investors that the information has been provided. SCM will take such steps as it determines are necessary to comply with applicable laws, regulations, orders, directives, or special measures. Such steps may include prohibiting a limited partner investor from making further contributions of capital to a Fund, depositing distributions to which a limited partner investor would otherwise be entitled to in an escrow account or causing the withdrawal of a limited partner investor from a Fund.

Diverse Limited Partner Group. Limited partner investors may include U.S. taxable and tax-exempt entities and institutions from jurisdictions outside of the United States. Such limited partner investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests of certain limited partner investors may relate to or arise from, among other things, the nature of Fund investments, the structuring of the acquisition of Fund investments and the timing of the disposition of Fund investments. Therefore, conflicts of interest may arise in connection with decisions made by SCM, including with respect to the nature or structuring of Fund investments, that may be more beneficial for one limited partner investor than for another limited partner investor, especially with respect to a limited partner investor's specific tax situation. In selecting and structuring appropriate Fund investments, SCM will consider the investment and tax objectives of a Fund and the partners as a whole, as opposed to the investment, tax, or other objectives of any specific limited partner investor.

Cybersecurity. A Fund, SCM and their respective service providers are susceptible to operational, information security and other cybersecurity risks, both directly and through their respective service providers. Similar types of cybersecurity risks are also present for Fund investments, which could result in material adverse consequences for such investments and may cause a Fund's investments to lose value. These risks may not be covered by insurance. Cybersecurity failures by, or breaches of, the systems of SCM, any administrator or any other service provider (including, but not limited to, any data provider, fund accountant, custodian, transfer agent or attorney), or any portfolio company, could cause disruptions and impact business operations, potentially resulting in one or more of the following: material financial losses, interference with a Fund's ability to calculate its net asset value, the inability of a Fund, its service providers or a portfolio company to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, cyber-attacks may render inaccessible, inaccurate, or incomplete any or all of the records of a Fund's or a portfolio company's assets, transactions, and other data integral to the functioning of the Fund or a portfolio company. A Fund may incur substantial costs to prevent or address cyber-incidents in the future. Despite any efforts that a Fund may undertake in this regard, certain risks may not yet have been identified and it is possible that prevention and remediation efforts will be inadequate or unsuccessful. Additionally, because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a Fund or a portfolio company, a Fund or a portfolio company may be unable to anticipate these techniques or to implement adequate preventive measures. Furthermore, SCM is unable to directly control the cybersecurity procedures and systems of any service providers or portfolio companies, while a Fund and limited partner investors could be materially and adversely impacted as a result.

Regulatory Change. Legal and regulatory changes could occur during the term of a Fund, which may materially adversely affect a Fund. Regulation of the U.S. and non-U.S. securities, derivatives, and futures markets, and investment funds such as a Fund, has undergone substantial change in recent years and such change may continue. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (the “Dodd-Frank Act”), was signed into law in July 2010. The Dodd-Frank Act contains changes to the existing regulatory structure in the United States and is intended to establish rigorous oversight standards to protect the U.S. economy and American consumers, investors, and businesses. The Dodd-Frank Act requires additional regulation of certain private equity and venture capital fund managers, including requirements for such managers to register as investment advisers under the Advisers Act and to disclose certain information to regulators about the positions, counterparties and other exposures of the funds managed by such managers. If the General Partner is required to register under the Advisers Act, the cost of such registration and of ongoing compliance will increase a Fund’s operational expenses. Other potentially adverse regulatory initiatives could also develop.

Absence of Registration. Certain investor protections provided under the Investment Company Act and the Advisers Act are unavailable to the limited partners unless a Fund or the General Partner registers thereunder. The General Partner believes that a Fund is not subject to regulation as and intends to conduct operations so that a Fund will not become regulated as, an investment company under the Investment Company Act. Under the Investment Company Act, an investment company is required to register with the SEC and is subject to extensive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, dividends, and transactions with affiliates. As stated above, the General Partner intends to conduct a Fund’s operations in such a way as to perfect an exemption from registration as an investment company. If, however, a Fund is not able to maintain an exemption, it could be required to, among other things, change the manner in which it conducts its operations to avoid being required to register as an investment company, or to register as an investment company, either of which could materially adversely affect a Fund. Further, if a Fund were to be deemed an unregistered investment company, it could be subject to monetary penalties and injunctive relief. A Fund may be unable to enforce contracts with third parties or third parties could seek to obtain rescission of transactions undertaken during the period that a Fund was deemed an unregistered investment company. Any of these possibilities would likely have a material adverse effect on a Fund.

Inadequate Return. There is no assurance that the investors will receive the expected return on their investments. No assurance can be given that the returns on an investment in a Fund will be commensurate with the risk of such investment in a Fund. Investors should not invest in a Fund unless they have the resources to sustain the loss of their entire investment.

Service as Director of Company. One or more of SCM’s affiliates may serve as a director of a portfolio company. In their capacity as directors of a portfolio company, such individuals may become subject to fiduciary or other duties, which may be contrary to the best interests of a Fund. In that regard, no such person will be required to consult with, or vote in a manner that would necessarily be in the best interests of, a Fund.

Conflicts of interest. The structure and operation of a Fund involves several potential conflicts of interest between and among the General Partner, the Adviser and/or one or more of their respective

affiliates, on the one hand, and the limited partners, on the other hand. This Brochure does not purport to identify all potential conflicts of interest between and among the Adviser and the limited partners.

A Fund will not have independent management. The Adviser does and will manage other funds that engage in investment activities. The Adviser will devote only so much of their time to a Fund's business as deemed necessary or appropriate. However, the Adviser will not have any duty to devote any specified amount of time or attention to managing a given Fund. The Adviser will have conflicts of interest in allocating management time, services and functions between a Fund and other partnerships or business ventures, if any, in which they are or might become involved, as a principal or otherwise. The Adviser, however, believes that it is fully capable of discharging its responsibilities to all such entities.

The Adviser may be prohibited from acting for the benefit of a Fund due to confidential information acquired or obligations incurred in connection with outside activities. No person or entity shall be liable to a Fund or any principal for any failure to act for the benefit of a Fund in consequence of restrictions caused by such activities. This may create a conflict of interest between a Fund and the General Partner. Investors should consider this when investing in a Fund.

Conflicts of interest may arise in determining whether employees, contractors, or other representatives of the Adviser have performed certain obligations to a Fund, and whether any such person is entitled to be indemnified pursuant to the provisions contained in any agreement between such person and a Fund. Because of the nature of the other activities of the Adviser, it is possible that the Adviser will incur costs and expenses that simultaneously benefit a Fund and one or more other entities that are controlled by one or more of the Adviser, or for which the Adviser performs services. In such an instance, the allocation of such costs and expenses among a Fund and each such other entity as shall be determined by the General Partner or the Adviser, as applicable, to be reasonable given the particular circumstances, but shall generally be determined by reference to the aggregate amount of capital attributable to each such entity.

Related Party Activities. One or more of the Adviser, other SCM affiliates and/or unrelated third parties will provide certain administrative and back-office services to a Fund (which are separate and distinct than those provided by the Adviser pursuant to the management agreement described herein) and, in connection therewith, will be entitled to receive commercially reasonable compensation from a Fund in respect thereof (which shall be included as a Fund expense). While the compensation payable to the Adviser or other SCM affiliate for services performed for a Fund will reflect the General Partner's reasonable determination for such compensation based on established commercial practices, it will not be the result of arm's length negotiations. Similarly, any other transactions between a Fund, on the one hand, and one or more of the General Partner, the Adviser or other SCM affiliates on the other, will involve conflicts of interest and may be deemed to have been entered into without the benefit of arm's length bargaining.

ERISA. Because it is intended that a Fund will not hold or be deemed to hold Plan Assets (as defined below), benefit plan investors as such term is defined under Section 3(42) of ERISA, may not have the protection of ERISA with respect to the investments and other activities of a Fund.

Portfolio Company Limited Operating History. A Fund's portfolio companies will likely include early-stage companies that have not generated any revenues and/or have little operating history. The product offerings of certain portfolio companies may be in the concept stage or early clinical development stage. Moreover, the success of a portfolio company's research and development efforts will not be certain, nor will it be certain that, if successful, its product offerings will ever be approved for sale, if applicable, or generate commercial revenues. Each such portfolio company will be subject to all of the business risks associated with new enterprises, including, but not limited to, risks of unforeseen capital requirements, failure of potential drug compounds either in non-clinical testing or in clinical trials (with respect to the portfolio companies involved in the development of drugs), failure to establish business relationships, and competitive disadvantages against larger and more established companies. If any such portfolio company fails to become profitable, it may suspend or cease operations, which would have a material adverse effect on the business prospects, financial condition, and results of operations of such portfolio company.

Dependence on Key Portfolio Company Personnel. The management of a portfolio company may depend on one or two key individuals, and the loss of the services of any such individuals may adversely affect such portfolio company's performance.

Limited Operating Histories of Portfolio Companies. Each Fund intends to invest primarily in securities of privately held early stage and growth companies in the biotechnology and healthcare industries. Such companies may have limited operating histories, may be attempting to develop or commercialize unproven technologies or implement novel business plans or may otherwise not be developed sufficiently to be self-sustaining financially or to become public. Such investments involve a high degree of business and financial risk that can result in substantial losses, which risks generally are greater than the risks of investing in public companies that may be at a later stage of development.

Rapid Growth. SCM expects that some of the portfolio companies may grow rapidly. Rapid growth often places considerable operational, managerial, and financial strain on a business. To successfully manage rapid growth, such a portfolio company must, among other things: improve, upgrade, and expand its business infrastructures; scale up production operations; develop appropriate financial reporting controls; attract and maintain qualified personnel; and maintain appropriate levels of liquidity. If a portfolio company is unable to manage its growth successfully, its ability to respond effectively to competition and to achieve and/or maintain profitability will be adversely affected.

Product Development and Regulatory Process. Certain portfolio companies may be engaged in the business of developing drugs and/or medical devices. Drug development can take between five and fifteen years, depending on the therapeutic area, indication, route of administration (oral, injectable, topical), type of treatment (systemic or local), and length of proposed clinical use (for instance - single use; short term use of seven to thirty days; intermediate use of thirty to ninety days; or chronic use). Other variables may include whether the drug is an NCE (new chemical entity)/NME (New Molecular Entity), or a previously approved compound that is being repurposed for another indication or re-formulated to enhance delivery or other safety or efficacy parameter or improved as a pro-drug (ester) or new salt. NCE/NME drug development is generally considered to be the more complex and expensive development and regulatory path. During the

time that an applicable portfolio company is engaged in the development of its product and/or navigating the regulatory process, such portfolio company may not generate sufficient revenue from operations, or be able to raise sufficient capital, to fund its ongoing operations, which could have a material adverse effect on the business prospects, financial condition, and results of operations of such portfolio company.

Pricing Pressure. Pricing of drugs and medical devices may remain under pressure as governments and purchasers implement payment reforms such as prospective payment systems for hospital care, preferential site of service payments, value-based purchasing, and accountable care organizations (ACOs). SCM also expects marketplace changes to place pressure on medical device pricing globally as hospitals consolidate and large group purchasing organizations, hospital networks and other groups continue to seek to aggregate purchasing power. Similarly, governments are increasing the use of tenders, placing pressure on drug and medical device pricing. In the United States, attention has been focused on drug prices and profits and programs that encourage doctors to write prescriptions for particular drugs, or to recommend, use or purchase particular medical devices. Payers have become a more potent force in the marketplace and increased attention is being paid to drug and medical device pricing, appropriate drug and medical device utilization and the quality and costs of health care generally. United States government agencies continue to implement the extensive requirements of the Patient Protection and Affordable Care Act (the “ACA”). SCM believes that these have both positive and negative impacts on the United States healthcare industry with much remaining uncertain as to how various provisions of the ACA will ultimately affect the industry, or how such provisions may be modified, altered, or repealed. In addition, business practices in the health care industry have come under increased scrutiny, particularly in the United States, by government agencies and state attorneys general, and resulting investigations and prosecutions carry the risk of significant civil and criminal penalties. Also, patients and clinicians are becoming more informed on the risks and benefits of alternative treatments as comparative effectiveness research findings are beginning to be disseminated. Therefore, SCM believes that compelling clinical and economic data will become increasingly important to demonstrate effectiveness and illustrate the economic impacts of biotechnology purchases. Any of these factors could have a negative impact on a particular portfolio company’s business prospects, results of operation and financial condition.

Identification of Collaborators. Certain portfolio companies may need to establish relationships with leading scientists and research institutions, which relationships can be pivotal to establishing their products. Additionally, there is no assurance that any such portfolio company’s research partners will continue to work with them or that they will be able to attract additional research partners. If such a portfolio company is not able to establish and maintain scientific relationships to assist in its research and development efforts, it may not be able to successfully develop its products, which could have an adverse effect on its business prospects, results of operations and financial condition.

Lack of Acceptance for Products. If a portfolio company is successful in developing its product(s) and receiving regulatory clearances to market its product(s), as applicable, its ability to successfully penetrate the market and generate sales may be limited by a number of factors, including the following:

- ◆ If competitors receive regulatory approvals for and begin marketing similar products before such portfolio company does, greater awareness of their products as compared to those of such portfolio company will cause such portfolio company's competitive position to suffer.
- ◆ Information from such portfolio company's competitors or the academic community indicating that current products or new products are more effective or offer compelling other benefits as compared to such portfolio company's products could impede its market penetration or decrease its future market share.
- ◆ The pricing and reimbursement environment for a portfolio company's products, as well as pricing and reimbursement decisions by its competitors and by payers, may have an effect on such portfolio company's business prospects, results of operation and financial condition.

Failure to Reach Market. A portfolio company's success may depend on its ability to develop products that it can commercialize. It is possible that such a portfolio company's products may never reach the market for many reasons. Such products may be found to be ineffective, cause harmful side-effects during non-clinical testing or clinical trials, or fail to receive necessary regulatory approvals. Such a portfolio company may find that certain products cannot be manufactured at a commercial scale and, therefore, they may not be economical to produce. Such a portfolio company's products could also fail to achieve market acceptance or be precluded from commercialization as a result of the proprietary rights of third parties. Such a portfolio company's patents, patent applications, trademarks and other intellectual property may be challenged, which may delay or prohibit such portfolio company from effectively commercializing its products. Furthermore, such a portfolio company's products may not be commercially available for many years, if at all. The occurrence of any of the foregoing could have a material adverse effect on an applicable portfolio company's business prospects, results of operations and financial condition.

Competition and Scientific Developments. A portfolio company may face significant competition from industry participants that are pursuing technologies with respect to similar conditions to those that such portfolio company is pursuing and are developing products that are competitive with such portfolio company's products. Such industry competitors may have greater capital resources, larger overall research and development staffs and facilities, and a longer history in discovery and development, obtaining regulatory approval and product manufacturing and marketing as compared to the applicable portfolio company. With these additional resources, a portfolio company's competitors may be able to respond to the rapid and significant technological changes in the applicable industry faster than such portfolio company can. A portfolio company's future success will depend in large part on its ability to maintain a competitive position with respect to applicable technology. Rapid technological development, as well as new scientific developments, may result in a portfolio company's products becoming obsolete before it can recover the expenses incurred to develop them. The occurrence of any of the foregoing could have a material adverse effect on a portfolio company's business prospects, results of operations and financial condition.

Reliance on Third Parties. During product development, a portfolio company engaged in the business of drug development may engage university laboratories, other biotechnology companies or contract or clinical manufacturing organizations to manufacture drug material for it to be used in non-clinical and clinical testing and contract research organizations to conduct and manage non-

clinical and clinical studies. If such a portfolio company engages these organizations to help it with its non-clinical and clinical programs, many important aspects of this process will be out of its direct control. If any of these organizations that such a portfolio company may engage fails to perform its obligations under such portfolio company's agreements with it or fails to perform non-clinical testing and/or clinical trials in a satisfactory manner, such portfolio company may face delays in completing its clinical trials, as well as commercialization of any of its products. Furthermore, any loss or delay in obtaining contracts with such entities may also delay the completion of such a portfolio company's clinical trials, regulatory filings, and the potential market approval of such portfolio company's products. The occurrence of any of the foregoing could have a material adverse effect on such a portfolio company's business prospects, results of operations and financial condition.

Identification of Strategic Partners. Industry participants will compete with certain of portfolio companies to attract established companies or organizations for partnering, licensing, mergers, acquisitions, joint ventures, or other collaborations. If any competitor with respect to such a portfolio company successfully enters into partnering arrangements or license agreements with academic research institutions, such portfolio company will then be precluded from pursuing those specific opportunities. Since each of these opportunities is unique, such portfolio company may not be able to find an adequate substitute. Competition may also be provided by universities and public and private research institutions. While these organizations primarily have educational or basic research objectives, they may develop proprietary technology and acquire patent applications and patents that such a portfolio company may need for the development of its products. In some instances, such a portfolio company may attempt to license this proprietary technology, if available. These licenses may not be available to such portfolio company on acceptable terms, if at all. If any such portfolio company is unable to compete successfully with respect to these opportunities, it may be limited in its ability to develop new products, which could have a material adverse effect on such portfolio company's business prospects, results of operations and financial condition.

Potential Claims. It is expected that the nature of the business of certain portfolio companies will expose them to potential liability risks inherent in the testing, manufacturing, and marketing of their products. When any product enters into clinical trials or becomes marketed, it could potentially harm people or allegedly harm people possibly subjecting the applicable portfolio company to costly and damaging product liability claims. Some of the patients who participate in clinical trials are already ill when they enter a trial or may intentionally or unintentionally fail to meet the exclusion criteria. The waivers that such a portfolio company obtains may not be enforceable and may not protect such portfolio company from liability or the costs of product liability litigation. A risk also exists that any liability insurance carried by a portfolio company will not be sufficient to cover claims. The insurance costs along with the defense or payment of liabilities above the amount of coverage could cost such a portfolio company significant amounts of money and management distraction from other elements of its business, causing such portfolio company's business to suffer.

Intellectual Property Protection. Neither patents nor patent applications ensure the protection of a portfolio company's intellectual property for many reasons, including the following:

- ◆ Competitors may interfere with a portfolio company's patenting process in a variety of ways. Competitors may claim that they invented the claimed invention prior to the applicable portfolio company. Competitors may also claim that a portfolio company is infringing their patents and restrict such portfolio company's freedom to operate. Competitors may also contest a portfolio company's patents and patent applications, if issued, by showing in various patent offices that, among other reasons, the patented subject matter was not original, was not novel or was obvious. In litigation, a competitor could claim that a portfolio company's patents, and patent applications are not valid or enforceable for many reasons. If a court agrees, the applicable portfolio company would lose some or all of its patent protection.
- ◆ Because of the time, money and effort involved in obtaining and enforcing patents, a portfolio company's management may spend less time and resources on developing products than they otherwise would, which could increase such portfolio company's operating expenses and delay product programs.
- ◆ Issuance of a patent may not provide much practical protection. If a portfolio company receives a patent of narrow scope, then it may be easier for competitors to design products that do not infringe such portfolio company's patent.
- ◆ Defending a patent lawsuit takes significant time and can be very expensive. If a court decides that a portfolio company's product, its method of manufacture or use, infringes on the competitor's patent, such portfolio company may have to pay substantial damages for infringement.
- ◆ A court may prohibit a portfolio company from making, selling, or licensing a product unless the patent holder grants a license. A patent holder is not required to grant a license. If a license is available, such portfolio company may have to pay substantial royalties or grant cross licenses to its patents, and the license terms may be unacceptable.
- ◆ Redesigning a portfolio company's product so that it does not infringe on other patents may not be possible or could require substantial funds and time.

In addition, a portfolio company's employees or consultants may unintentionally or willfully disclose such portfolio company's information to competitors. Enforcing a claim that someone illegally obtained and is using a portfolio company's trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets as compared to courts within the United States. Competitors may independently develop equivalent knowledge, methods, and know-how.

One or more of portfolio companies may also support and collaborate in research conducted by government organizations, hospitals, universities, or other educational institutions. These research partners may be unable or unwilling to grant the applicable portfolio company with exclusive rights to technology or products derived from these collaborations prior to entering into the relationship.

If a portfolio company does not obtain required intellectual property licenses or rights, it could encounter delays in its product development efforts while it attempts to design around other patents or even be prohibited from developing, manufacturing, or selling products requiring these rights or licenses. There is also a risk that disputes may arise as to the rights to technology or potential

drug compounds developed in collaboration with other parties. The occurrence of any of the foregoing could have a material adverse effect on a portfolio company's business prospects, results of operations and financial condition.

Additional Capital Requirements and Follow-On Investments. A portfolio company may need to raise additional capital to fund its operations at any given time following investment therein by a Fund. A Fund may not be able to fund some or all of such amounts and such amounts may not be available from third parties on acceptable terms, if at all. SCM cannot be certain that such a portfolio company will be able to obtain additional financing on favorable or acceptable terms. Because a Fund's resources and its ability to raise capital are not unlimited, a Fund may not be able to, or may not desire to, provide a particular portfolio company with sufficient capital resources to enable it to reach a cash-flow positive position. General economic disruptions and downturns may also negatively affect the ability of a portfolio company to fund its operations from other capital sources. A Fund also may fail to accurately project the capital needs of a portfolio company. If a portfolio company needs, but is not able, to raise capital from a Fund or other outside sources, then it may need to cease or scale back operations. In such event, a Fund's interest in such portfolio company will lose some or all of its value.

Expedited Investment Decision-Making. Investment analyses and decisions may be undertaken on an expedited basis for a Fund to take advantage of available investment opportunities that have expedited investment processes or needs, which could result in SCM conducting due diligence activities over a very brief period to take advantage of investment opportunities. Such an occurrence could result in less due diligence being conducted on the investment opportunity by SCM than would be conducted in ordinary circumstances.

Limited Control Over Certain Portfolio Companies. A Fund's interests in a portfolio company will initially be minority interests in the form of preferred stock. Preferred stock may include basic protective and preferential rights, including protection against decisions by a company that may adversely affect the interests of holders of preferred stock and minority representation on the board of directors of such company. However, a Fund will not have ultimate control over the management and major decisions of a portfolio company. Managerial mistakes can be very costly, and a Fund will have a limited ability to prevent these mistakes. In addition, a Fund's interests in a portfolio company may be subject to voting restrictions set forth in certain company documents, including the certificate of formation, bylaws and voting agreements. The General Partner will provide copies of these company documents to any prospective investor upon written request.

Moreover, a Fund's strategy includes investing in portfolio companies with a view of exiting such investment through merger, acquisition, or initial public offering of the securities of such portfolio company. Under such circumstances, the success of a Fund is dependent upon the timing and effectiveness of its exit events. Because a Fund's control of certain portfolio companies is expected to be limited, no assurance can be made that any such exit event will take place in a manner or at a time that is, or on terms that are, in the best interests of a Fund. In such instances, such portfolio company's other directors, officers, and equity-holders, whose interests may not be aligned with those of the Fund, will likely have control over the timing and strategy of an exit event.

Risks Relating to Control Positions in Certain Portfolio Companies. A Fund may take a control position in a portfolio company. The exercise of control over a portfolio company imposes additional risks of liability for environmental damage, product defects, failure to supervise, and other types of liability related to business operations. In addition, the act of taking a control position, or seeking to take such a position, may itself subject a Fund to litigation by parties interested in blocking it from taking that position. If those liabilities were to arise, or such litigation were to be resolved adversely to a Fund, the Fund likely would suffer losses which may be material.

Lack of Fund Diversification. A Fund, by its nature, will only make a limited number of investments. As a result, the aggregate return of a Fund may be adversely affected by the unfavorable performance of even a single Fund investment. It is not possible to predict the exact number or size of investments that a Fund will make because that will depend on the total amount of capital raised in an offering and the nature of investment opportunities identified by SCM. If a single investment absorbs a sufficient amount of a Fund's available capital, the number of investments made by a Fund will correspondingly decrease, which will limit diversification.

Uncertain Exits. The market for a Fund's targeted investments is extremely volatile. Such volatility may adversely affect (i) a Fund's ability to dispose of investments, and (ii) the value of investment securities on the date of sale or other disposition by a Fund. The receptiveness of the public markets to an initial public offering by a portfolio company or the private markets to acquisition of a portfolio company may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is unable to consummate an initial public offering or otherwise dispose of its securities through merger, consolidation, or similar transaction at an appropriate time. If a portfolio company affects a successful public offering, the portfolio company's securities may be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent a Fund or the limited partner investors from disposing of such portfolio company's securities. If a portfolio company's securities are disposed of via merger, consolidation, or similar transaction, any securities received by a Fund in such transaction may be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent a Fund or the limited partner investors from disposing of such securities. Generally, the investments made by a Fund will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of a Fund's investment therein, a portfolio company may lack one or more key attributes (e.g., proven technology, marketable product, complete management team, or strategic alliances) necessary for success. In most cases, investments will be long-term in nature and may require many years from the date of initial investment before disposition. There can be no assurance that any portfolio company investment will result in a liquidity event via public offering, acquisition, or otherwise.

Risks Upon Disposition of the Fund's Investments. In connection with the disposition of an interest in a portfolio company, a Fund may be required to make certain representations about the investment and the underlying securities or other assets. A Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the partners. Fund Documentation contains provisions to

the effect that, if there is any such claim in respect of a portfolio company, the partners will fund it both from uncalled capital commitments and prior distributions made to the partners, subject to certain limitations.

Risks of Establishing and Maintaining Reserves. In managing a Fund, SCM expects to establish reserves for follow-on investments in portfolio companies, Fund Expenses (including Management Fees), Fund liabilities, and other matters to the extent permitted by Fund Documentation. Estimating the amount necessary for such reserves is inherently difficult, particularly because follow-on investment opportunities are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could have a material adverse effect upon the investment returns to the limited partner investors. For example, if reserves are inadequate, a Fund may be unable to take advantage of attractive follow-on or other investment opportunities. Similarly, if reserves are excessive, a Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

General Structural Risks Related to Co-Investments Alongside the Fund. Generally, if a Fund invests in a portfolio company alongside other investors (e.g., in the case of a co-investment alongside the Fund), the realization of such portfolio company investment may take longer than would the realization of an investment under the sole control and beneficial ownership of the Fund, as co-investors may require exit rights or procedures that the Fund ordinarily would not require. Other investors may also have economic or business interests or goals that are inconsistent with those of a Fund or may be in a position to take or block action in a manner contrary to a Fund's investment objectives.

Valuation of the Fund's Investments. A portfolio company that does not have outstanding securities that are publicly held will not have a readily ascertainable market price and will be required to be fair valued by SCM. In this regard, SCM will need to use valuation techniques that may not rely on transparent inputs, and SCM will face elements of judgment as well as a conflict of interest in valuing the securities, as the valuation may affect both (a) how investors, and potential investors in subsequent funds sponsored by SCM, view the Fund's performance, and (b) the ownership of securities in such portfolio company by SCM or its affiliates, if SCM or an affiliate owns securities in the applicable portfolio company other than indirectly through a Fund. No assurances can be given regarding the valuation methodology or the sufficiency of systems utilized by SCM in valuing a portfolio company. As a result, a Fund's valuation of a portfolio company's securities may fail to match the amount that could be realized with respect to the disposition of such securities on any valuation date. The valuation of a portfolio company could also be inaccurate due to fraudulent activity, mistake, or inadvertent error. A Fund may not uncover errors in valuation for a significant period of time.

Litigation. A Fund will be subject to a variety of litigation risks, particularly in consequence of the substantial likelihood that one or more portfolio companies will face financial or other difficulties during the term of a Fund's investment therein. In addition, it is anticipated that one or more SCM affiliates will actively assist portfolio companies in differing capacities (including, without limitation, by serving as officers, directors, or advisors). A Fund may also participate in portfolio company financing at an implicit valuation lower than the valuations implicit in

preceding rounds of financing, and exit events such as mergers, acquisitions, asset sales, or liquidations. In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of a Fund or SCM), it is possible that the Fund, SCM, and/or any of affiliates may be named as defendants. Under most circumstances, a Fund's Offering Documents generally provides that the Fund will indemnify any such persons for any costs they may incur in connection with such disputes. Beyond direct costs, such disputes may adversely affect a Fund in a variety of ways, including by distracting SCM and harming relationships between the Fund and an applicable portfolio company or other investors in such portfolio company.

Conflicting Activities. Other funds or accounts managed by SCM may, from time to time, be presented with investment opportunities that fall within a Fund's investment objectives and those of other funds or accounts with which SCM is affiliated. Fund Documentation outline the steps that SCM must take to meet its fiduciary duty. One or more SCM affiliates may make co-investments or similar investments alongside a Fund. SCM may also cause a Fund to invest in a portfolio company in which one or more SCM affiliates have an investment or cause a portfolio company to enter into a transaction with another company in which one or more SCM affiliates have an investment.

Fees Received from Portfolio Companies. SCM affiliates will, subject to certain offsets against the Management Fee, be entitled to receive and retain any and all fees received from or interests in any portfolio company or any affiliate of any portfolio company, in any such case, that are paid or issued in exchange for such SCM affiliate's services as a member of the board of directors or similar governing body of any such portfolio company or affiliate. The foregoing could give rise to a conflict of interest involving SCM on the one hand, and a Fund and the limited partner investors, on the other hand.

To the extent that any SCM affiliate receives any compensation for accounting, administrative or other "back-office" services from any portfolio company, then such SCM affiliate shall be entitled to retain all such amounts and neither a Fund nor any limited partner investor shall have any entitlement to any such amounts. While the compensation payable to any such SCM affiliate for services performed for the Fund will reflect such SCM affiliate's reasonable determination for such compensation based on established commercial practices, it will not be the result of arm's length negotiations. The foregoing could give rise to a conflict of interest involving SCM, on the one hand, and a Fund and the limited partner investors, on the other hand.

Allocation of Time, Costs and Expenses. A Fund will not have independent management. A Fund will be managed by SCM affiliates, each of which will devote only so much of their time to the Fund's business as they deem necessary and appropriate. However, SCM has no duty to devote any specified amount of time or attention to managing a given Fund. SCM will have conflicts of interest in allocating management time, services and functions between a Fund and other partnerships or business ventures, if any, in which they are or might become involved, as a principal or otherwise. SCM, however, believes it is fully capable of discharging its responsibilities to all such entities.

Conflicts of interest may arise in determining whether employees, contractors, or other representatives of SCM have performed certain obligations to a Fund, and whether any such person

is entitled to be indemnified pursuant to the provisions contained in any agreement between such person and a Fund. Because of the nature of the other activities of SCM, it is possible that SCM will incur costs and expenses that simultaneously benefit a Fund and one or more other entities that are controlled by SCM, as applicable, or for which SCM performs services. In such an instance, the allocation of such costs and expenses among a Fund and each such other entity as shall be determined by SCM, as applicable, to be reasonable given the particular circumstances, but shall generally be determined by reference to the aggregate amount of capital attributable to each such entity.

Coronavirus and Public Health Emergency Risk. As of the date of this Brochure, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared to constitute a “Pandemic.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak has rapidly evolved, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. Businesses have also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in supply chains and economic activity, and have had a particularly adverse impact on transportation, hospitality, tourism, entertainment, and other industries. As the pandemic continues, its full impact, remains uncertain and difficult to assess. The long-term impact of the accommodative monetary policy and government economic relief spending in the United States, aimed at countering the adverse effects of the pandemic, is unknown. However, any meaningful and sustained rise in inflation could further adversely impact the value and performance of the Funds.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Funds and their portfolio companies and could adversely affect the Funds’ ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds’ portfolio companies, the Funds’ ability to source, manage and divest investments and the Funds’ ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds, their portfolio companies and SCM may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other

factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

Affiliate Transactions. SCM and/or unrelated third parties will provide certain administrative and back-office services to a Fund (which are separate and distinct than those provided by SCM pursuant to the Management Agreement) and, in connection therewith, will be entitled to receive commercially reasonable compensation from a Fund in respect thereof (which shall not be covered by the Management Fee and which shall be included as a Fund Expense). While the compensation payable to SCM for services performed for a Fund will reflect SCM's reasonable determination for such compensation based on established commercial practices, it will not be the result of arm's length negotiations. Similarly, any other transactions between a Fund, on the one hand, and one or more of SCM on the other, will involve conflicts of interest and may be deemed to have been entered into without the benefit of arm's length bargaining.

SCM shall not purchase any assets from, or sell any assets to, a Fund without the prior approval of the advisory board.

Fiduciary Responsibility of the General Partner. SCM is accountable to each Fund as a fiduciary and consequently has a duty to exercise good faith and to deal fairly with the limited partner investors in handling the affairs of the Fund. While SCM will endeavor to avoid conflicts of interest to the extent possible, such conflicts nevertheless may occur and, in such event, the actions of SCM may not be most advantageous to the Fund and could fall short of the full exercise of such fiduciary duty.

Advisory Board and Resolution of Conflicts. A Fund may establish an advisory board consisting of representatives of certain limited partner investors and persons not affiliated with SCM. The Advisory Board will meet as required to consult with SCM as to, among other things, potential conflicts of interest. SCM will retain ultimate responsibility for all decisions relating to the operation and management of each Fund, including but not limited to investment decisions. Except for those matters for which the approval or consent of the advisory board is required by the Fund Documents, the recommendations of the advisory board shall be advisory only and shall not obligate SCM to act in accordance therewith.

In the event that any matter arises that SCM determines constitutes an actual conflict of interest between a Fund, on the one hand, and SCM, on the other hand, SCM may take such actions (or refrain from taking such actions) as it deems necessary or appropriate in good faith to ameliorate the conflict. Such actions may include disposing of the security held by a Fund giving rise to the conflict of interest or appointing an independent fiduciary. SCM may, in its discretion, request that the advisory board review and approve or disapprove any such action or inaction on the part of the Fund. The conclusion of the advisory board with respect to any potential or actual conflict of interest submitted to the advisory board by SCM shall be conclusive and binding on the partners for purposes of Fund Offering Documents.

- C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

See Item 8 B above for information about material risks.

ITEM 9: DISCIPLINARY INFORMATION

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Like other registered investment advisers, SCM is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of SCM or the integrity of its management. SCM is not aware of any legal or disciplinary events that would be material to an investor's or a prospective investor's evaluation of SCM or the integrity of its management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither SCM nor any management person is registered or has an application pending to register, as a securities broker-dealer or registered representative of a broker-dealer.

- B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither SCM nor any management person is registered or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with defined related persons. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

Portfolio Company Involvement

As noted throughout this Brochure, the Adviser and its advisory affiliates or persons controlled by or under common control with the Adviser (its "related persons") are, directly or indirectly, managing members of the General Partner of each Fund. Certain advisory personnel spend a substantial portion of their business time on one or more Funds as required under the terms of each

Fund's Offering Documents. Principals, employees, and affiliate entities of the Adviser often become actively involved in portfolio company operations throughout the investment cycle.

A related person's involvement with portfolio company operations introduces a conflict of interest between the fiduciary duty he or she owes as a member of a portfolio company board and the fiduciary duty he or she owes to a Fund. To meet its fiduciary duty, the Adviser will take such action as necessary to reduce, and where possible, eliminate any such conflict of interest. Such action could include refraining from voting on certain portfolio company matters, referring conflict matters to the limited partner Advisory Board (if applicable), or resigning its portfolio company board or executive position. While the risk of these conflicts cannot be eliminated, the Adviser has implemented policies and procedures to address certain of these conflict situations.

The Adviser has entered into and will in the future enter into additional agreements or side letters with certain prospective or existing investors whereby such investors negotiate certain terms and conditions in addition to those set forth in a Fund's Offering Documents. The modifications are solely at the discretion of a Fund and are, among other things, based on the size of the investor's investment in a Fund or other similar commitment by an investor. The other limited partners will have no recourse against a Fund or the Adviser in the event that certain limited partners receive additional or different rights or terms as a result of such arrangements.

Board Membership

Members of SCM serve as directors of companies in which the Funds invest. As a director of a company, the member also owes a fiduciary duty to the company. Board memberships places a member of SCM in a position where he must make a decision that is not always in the best interests of a Fund. Members serving as directors at times receive non-public information because of their duties and such knowledge could restrict a Fund's ability to buy or sell securities of the relevant company. SCM does not expect the Funds to purchase the securities of public companies except as the result of a private company making an initial public offer.

Side Letters

A Fund or SCM from to time enters into letter agreements or other similar arrangements with one or more limited partner investors that have the effect of establishing rights under or altering or supplementing the terms of a Fund's Offering Documents (collectively, "side letters"). As a result of such side letters, certain limited partner investors receive additional benefits that other limited partner investors will not receive, and such additional benefits are in certain cases more favorable than those offered to any other limited partner investor.

Bios Capital Management, LP

Bios Capital Management, LP, a Texas limited partnership, also advises each Fund pursuant to an investment management agreement entered into by the General Partner on behalf of such Fund. Dr. Aaron Fletcher is principal and 100% owner of Bios Capital Management, LP., and 50% owner of the General Partners of the Funds (BIOS Equity Partners, LP, BIOS Equity Partners II, LP, or BIOS Equity Partners III, LP).

Bios Research, LLC

Dr. Aaron Fletcher is principal of, and together with Mrs. Holly Fletcher, is the 100% owner of Bios Research, LLC, a state registered investment adviser providing qualitative research on registered US equities within the biotech and healthcare industry. Bios Research offers its services on a subscription basis to hedge fund advisers, investment managers, family offices, and other institutional investors.

SCM does not believe this relationship presents a material conflict of interest to its business or the Funds, as the target companies for the Funds are private entities while Bios Research's target companies are public companies. Bios Research's clients are not solicited to invest in the Funds. Each entity maintains proprietary compliance policies designed to prevent insider trading by personnel and to prevent the misuse of confidential information as it relates to the delivery of investment advice.

Administrative Arrangements

As noted in Item 5 above, SC Services, LLC an affiliate of SCM, has been engaged to perform certain administrative and "back-office" services on behalf of each Fund and, in connection therewith, receives commercially reasonable compensation from each such Fund, which is expensed to the Fund and is not offset by management fees. While the compensation payable to this SC Services, LLC for such services reflects the General Partners' reasonable determination for such compensation based on established commercial practices, it is not the result of arm's length negotiations, and therefore represents a conflict of interest. To mitigate this conflict, SC Services, LLC has adopted written accounting procedures which are reviewed by SCM to assure comportment with the Adviser's fiduciary duty. Such arrangements are also subject to the consent of the advisory board of each Fund.

Shared Office Space

SCM shares office space with Bios Capital Management, LP and Bios Research. These arrangements create a conflict of interest to the extent the business and financial objectives of the companies vary. To mitigate this conflict of interest, all named entities have implemented compliance programs, that include an office sharing policy, to ensure that each fulfills its fiduciary duty to clients.

Formation of Future Funds

In the future, other affiliated general partners or managing members will be formed for other Funds. These affiliates will be formed for tax, regulatory or other purposes in connection with the organization of the Funds.

- D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices, and discuss the material conflicts of interest these practices create and how you address them.**

SCM does not select other investment advisers on behalf of the Funds.

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

- A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

SCM values investor trust and places its fiduciary responsibilities to the Funds and investors first and foremost in all aspects of its business. In accordance with Rule 204A-1 under the Advisers Act, SCM has adopted a code of ethics (the “Code of Ethics”). The Code of Ethics outlines a high standard of business conduct and reinforces each employee’s role in discharging the fiduciary duty to the Funds and investors. The Code of Ethics sets forth standards of conduct expected of SCM’s employees, reflects our fiduciary duties, and addresses conflicts that arise from personal trading, gifts and entertainment, and outside business activities. SCM is committed to maintaining the confidentiality, integrity, and security of current and prospective investors’ nonpublic personal information and adheres to high standards to safeguard such information. SCM’s Code of Ethics includes, among other things, the following minimum standards for SCM and its employees:

- ◆ A requirement for employees to comply with applicable federal securities laws;
- ◆ A requirement for employees to receive pre-approval for and/or report, and SCM to review, their personal securities transactions and holdings periodically as provided below;
- ◆ A requirement for employees to report any violations of SCM’s Code of Ethics promptly to the Chief Compliance Officer; and
- ◆ A requirement that SCM provide each employee a copy of the Code of Ethics and any amendments, and a requirement that employees provide SCM with a written acknowledgment of their receipt of the Code of Ethics and any amendments.

Participation or Interest in Client Transactions

Through the limited partnership structure, SCM (and its members) retains indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by Fund investments.

Personnel are only permitted to participate in discussions or authorizations to buy or sell a Fund security if the employee’s only interest in the security is: (a) held indirectly through an SCM entity,

the Funds, or otherwise; or (b) related to service as a director or executive of a portfolio company to facilitate SCM's ability to monitor Fund investments in said portfolio company.

SCM and its affiliates will always endeavor to act in the best interest of the Funds; however, investors should be aware that a General Partner's receipt of compensation from a Fund creates a conflict of interest with respect to such transactions. These and other operating relationships have the potential for creating conflicts of interest. Where actual or potential conflicts of interest between SCM, affiliated entities, and the Funds are identified, procedures contained in the Offering Documents of the Funds generally provide for submission of the proposed transaction to a limited partner advisory board for review and resolution. See Item 12 – *Brokerage Practices*, for information about how such conflicts of interest are managed. The role of a limited partner advisory board is further described in Item 13 – *Review of Accounts*.

Conflicts of Interest

In the ordinary course of conducting its investment advisory activities, the interests of a Fund can conflict with the interests of SCM, other Funds, or their respective affiliates. Certain of these conflicts of interest, as well as a summary of how these conflicts are mitigated, can be found below. Other conflicts are disclosed throughout this Brochure and applicable Offering Documents.

Resolution of Conflicts

In the case of all conflicts of interest, the determination as to which factors are relevant, and the resolution of such conflicts, will be made using SCM's best judgment, but in its sole discretion. In resolving conflicts, SCM considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Many important conflicts of interest will generally be disclosed in and resolved by set procedures, restrictions or other provisions contained in Fund Offering Documents. The Funds generally establish advisory boards, consisting of representatives of investors not affiliated with SCM, to evaluate conflicts and their resolutions.

A copy of SCM's Code of Ethics is available to any current or prospective investor by contacting our Chief Compliance Officer at 817-984-9197.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice, and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

In most cases, the General Partner of a Fund holds a direct interest in such Fund and, therefore, holds indirect beneficial interests in each of the investments owned by a Fund and will share in any profits and losses generated by Fund investments. As a result of carried interest, the General Partner of a Fund will share disproportionately in profits.

SCM and its affiliated General Partners will always endeavor to act in the best interest of a Fund; however, investors should be aware that General Partners' receipt of compensation from a Fund creates a conflict of interest with respect to such transactions. These and other operating

relationships have the potential for creating conflicts of interest. Where actual or potential conflicts of interest between SCM, affiliates, related persons, and a Fund are identified, procedures contained in the Offering Documents of a Fund and/or SCM's compliance policies and procedures provide for resolution.

In the case of all conflicts of interest, the determination as to which factors are relevant, and the resolution of such conflicts, will be made using SCM's best judgment, but in its sole discretion. In resolving conflicts, SCM considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Many important conflicts of interest generally will be disclosed in and resolved by defined procedures, restrictions or other provisions contained in a Fund's Offering Documents.

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options, or futures) that you or a related person recommends to clients, describe your practice, and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

See Item 11B. above.

- D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice, and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

See Item 11B. above.

ITEM 12: BROKERAGE PRACTICES

- A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

Typically, the purchase or sale of a security for a Fund will involve a privately negotiated transaction with the issuer, prospective seller, or prospective purchaser(s) of the security, and generally will not involve the services of a traditional broker or dealer as is customary in the transaction of registered securities. The Adviser seeks to negotiate and execute transactions in compliance with the Offering Documents of a Fund, its fiduciary duty to the Fund and investors, and the Adviser's compliance policies and procedures.

With regard to the purchase and sale of certain portfolio companies however, it will at times be necessary for the Adviser to engage a broker, dealer, investment bank, or other intermediary to ensure that a transaction is closed in a manner most advantageous to a Fund. When executing portfolio transactions using an intermediary, the Adviser, through the General Partner, seeks the best overall execution terms available to close the deal expeditiously and on terms most favorable to a Fund.

In assessing the best overall terms available for a transaction, the full range and quality of an intermediary's services are considered, including execution capability, experience in private equity transactions, network of contacts and relationships, research services (such as reports and analyses of markets, industries, companies, and economic trends), commission rates (or their equivalents), reputation and integrity, financial responsibility, and responsiveness. Intermediary arrangements are guided by contractual agreements in part to protect the integrity and confidentiality of Fund investment activity and to seek assurances as to the proper qualifications of such intermediaries.

- 1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**

The Adviser does not engage in soft dollar arrangements, which are a means of paying brokerage firms for their services through commission revenue rather than by direct hard dollar payments. However, the Adviser periodically receives general unsolicited research from certain brokers or investment banks specializing in private equity investments. The Adviser has no contractual obligation to compensate or do business with these research providers.

- 2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

SCM does not receive client referrals from unaffiliated counterparties, or third parties utilized to arrange Fund investments.

- 3. Directed Brokerage. If you routinely recommend, request, or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. If you permit a client to direct brokerage, describe your practice.**

The Adviser does not permit the direction of any Fund transactions to any broker or intermediary by an investor, and therefore directed brokerage does not apply to its business.

- B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Allocation and Aggregation of Investment Opportunities

The Adviser follows an allocation and aggregation policy under which the Adviser and affiliate entities allocate transactions on a fair and equitable basis, consistent with the Offering Documents of a Fund, its policies and procedures, and fiduciary duty. Aggregated portfolio investments are generally allocated among a participating Fund and other co-investment vehicles on a *pro rata* basis, with exceptions based on applicable investment objectives, strategies, and other guidelines.

Conflicts of Interest - Allocation of Investment Opportunities

As noted above, the Adviser maintains an allocation policy to determine how investment opportunities are to be allocated when more than one Fund is actively seeking investments. A conflict of interest arises relative to the allocation of investment opportunities under these conditions. For example, if a successor Fund is considering a portfolio company investment during the investment period of a predecessor Fund, or if an investment is to be made by a successor Fund in a security that constitutes a follow-on investment for the predecessor Fund, a conflict of interest could arise. A conflict will also arise when different Funds with different investment objectives have common investment interests in a particular prospective portfolio company or group of companies. Authorization of one or more advisory boards will in certain cases be required to determine the fair allocation between participating Funds. Except as required by the relevant Offering Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle.

Portfolio Valuation

In the absence of a perpetual market for such interests, the Adviser determines a value for each underlying portfolio company based on the periodic application of its internal valuation policies and methodologies. As a fiduciary to the Funds and investors, the Adviser has adopted formal valuation policies and procedures designed such that portfolio holdings reflect current, fair, and accurate asset valuations. Valuation policy attributes include but are not limited to: (i) detailed written procedures; (ii) quarterly reviews of Fund portfolio valuations carried out by the Adviser's investment team; (iii) advisory board participation in valuation reviews as required by a Fund's Offering Documents; (iv) periodic valuation policy review; and (v) external auditor review of written valuation policies and records prior to issuance of annual Fund financial statements.

Fund portfolio valuation represents a conflict of interest for investment advisers. The exercise of discretion in valuation by the Adviser gives rise to conflicts of interest, as fees, carried interest, and performance returns are calculated based, in part, on these valuations. Valuations are inherently subjective as there is no public exchange for a Fund's underlying assets or for the trading of limited partnership interests in a Fund. The process of valuing assets for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may very well differ from values that would have been determined had an active market existed for such assets and differ from the prices at which such assets will ultimately be sold. The Adviser cannot fully mitigate the conflicts and risks inherent in the valuation process but manages these conflicts and risks through its investment process and compliance program.

Cross Transactions

The Adviser and its affiliated entities do not generally engage in cross transactions where a portfolio holding is transferred between Funds or co-investors or co-investment vehicles. However, in the future, such transactions could arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company owned by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant

securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. If it becomes necessary in the future to engage in cross transactions, the Adviser intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund. Approval will generally be granted provided the transfer is consistent with the Adviser's fiduciary obligations to each Fund sharing in the cross transaction, applicable Fund Offering Documents, and relevant securities statutes, including the Advisers Act.

Co-Investments

The General Partner is authorized to, in its sole discretion, provide or commit to provide co-investment opportunities to one or more limited partners and/or other persons, in each case on terms to be determined by the General Partner in its sole discretion. Conflicts of interest arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which are made to one or more persons for any number of reasons as determined by the General Partner in its sole discretion and may not be in the best interests of a Fund or any individual limited partner.

In exercising its sole discretion in connection with such co-investment opportunities, the General Partner considers some or all of a wide range of factors, including, without limitation, relevant industry knowledge, prior co-investing experience, expressed interest in co-investment opportunities, likelihood that an investor will invest in a future fund sponsored by the General Partner or its affiliates, speed and certainty of closing, prior, current and potential future commitment levels, and tax, regulatory and securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status). A Fund co-invests with third parties through partnerships, joint ventures or other entities or arrangements. Such investments at times involve risks not apparent in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner could at any time have economic or business interests or goals that are inconsistent with those of a Fund, or be in a position to take action contrary to the investment objectives of a Fund.

In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities are at times made by the General Partner or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities typically will be offered to some and not to other limited partners. When and to the extent that employees and related persons of the General Partner make capital investments in or alongside a Fund, the General Partner is subject to conflicting interests in connection with these investments. The General Partner's allocation of co-investment opportunities among the persons and in the manner discussed herein 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.

ITEM 13: REVIEW OF ACCOUNTS

- A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Oversight and Monitoring

Each Fund is expected to make only a specific investment. After a Fund makes an investment, SCM will continuously monitor the investment for the Fund. SCM initiates investments with the expectation of being a significant and active investor. SCM or an affiliate generally holds a board seat for the investment or serve as a board observer if precluded from being a board member. In addition, all Funds are reviewed on an ongoing basis in seeking exit opportunities.

Advisory Board

SCM will generally establish an advisory board which is responsible for reviewing certain decisions of SCM, including, without limitation, potential conflicts of interest referred to it by SCM. The members of the advisory board are selected by SCM or an affiliate, consisting of certain limited partners (or representatives of certain limited partners) who or which are unaffiliated with SCM. The opportunity to serve on the advisory board is often extended to a Fund's largest investors. Decisions of the advisory board will generally be advisory in nature, and except as expressly specified in the Offering Documents, will not be binding on the Fund or the limited partners.

- B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

See 13.A. above.

- C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

The General Partner provides periodic financial reports and a summary of investments for Fund investors to monitor their investments. The Adviser distributes written reports to investors as required by the Offering Documents of each Fund. Written reports generally convey to Fund investors: (i) audited financial statements and other information on an annual basis in accordance with generally accepted accounting principles (within 120 days after a Fund's fiscal year end as required by the custody rule or alternatively, within 90 days after a Fund's fiscal year end for certain funds per Offering Document requirements); (ii) unaudited summary financial and other information on a quarterly basis; (iii) annual tax information necessary for each partner's U.S. tax returns; and (iv) quarterly descriptive investment information for each portfolio company.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

The Adviser, either directly or indirectly through its affiliates acting as General Partners to a Fund, will receive compensation from certain portfolio companies in connection with consulting services provided to such companies in the ordinary course of business. The Adviser and its affiliate entities are often permitted to receive fees and other compensation, such as breakup fees, from transactions not consummated by a Fund in connection with a Fund's proposed investment in such transactions. As described more fully in a Fund's Offering Documents, such fees and other compensation will often be shared, in part or in whole, with the limited partner investors through reductions or off-sets against Management Fees that would otherwise be payable by them.

- B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

SCM has arrangements with unaffiliated placement agents. In such instances, a legal agreement between parties has been executed to guide the terms of engagement which include among other requirements that the placement agent abide by federal securities statutes in discharging activities on behalf of SCM. In accordance with the terms of relevant Offering Documents, placement agent fees are paid by SCM and/or its affiliated entities. Placement arrangements in some cases require on-going payments by SCM to placement agents after a Fund's fundraising period has expired. A Fund investor will not bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party.

To address this potential conflict of interest, all referred investors are carefully screened to ensure that the Fund(s) is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

ITEM 15: CUSTODY

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

Custody occurs when an adviser or related person directly or indirectly holds client funds or securities or has the ability to gain possession of them. The Adviser is deemed to have custody of the assets of the Funds within the meaning of the Advisers Act due to its affiliation with the General

Partner of each Fund. The Funds advised by the Adviser are privately offered limited partnerships and are subject to an annual audit by a Public Company Accounting Oversight Board (“PCAOB”) registered and inspected independent accounting firm in accordance with Rule 206(4)-2 under the Advisers Act. The audited financial statements of each Fund are prepared in accordance with generally accepted accounting principles (“GAAP”) and distributed to Fund investors within 120 days of a Fund’s fiscal year end as required by the custody rule or alternatively, within 90 days of a Fund’s fiscal year end for certain funds per Offering Document requirements. Investors should review these audited financial statements carefully.

Any alternative investment vehicle formed to facilitate a portfolio investment in a Fund for special tax or regulatory reasons is also subject to an annual audit by a PCAOB registered and inspected independent accounting firm in accordance with the Advisers Act. Upon the final liquidation of a Fund, the Adviser will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all investors promptly after completion of the audit.

ITEM 16: INVESTMENT DISCRETION

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

As discussed in *Item 4 – Advisory Business*, the Adviser provides investment advisory services to each Fund on a discretionary basis but is subject to the overall supervision of the General Partner of each Fund. The limitations on the Adviser’s investment discretion are established through negotiations with the investors in each Fund and/or its General Partner. These limitations, which are negotiated on a case-by-case basis and will vary from time to time, are incorporated into each Fund’s Offering Documents, which include the applicable management agreement with the Adviser. In the case of Funds whose investment periods have closed, the Adviser’s investment discretion will be limited to certain follow-on investments and the liquidation of existing portfolio company positions.

ITEM 17: VOTING CLIENT SECURITIES

- A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

The Funds do not hold registered securities, and therefore SCM does not vote proxies in the traditional sense. Nonetheless, SCM or its affiliate will vote proxies (or similar instruments) for a Fund if required by a Fund’s Offering Documents. In accordance with Advisers Act requirements, the Adviser will vote proxies (or similar instruments) for a Fund if required under the management agreement with the General Partner of such Fund. In accordance with Advisers Act requirements,

the Adviser has adopted proxy policies to address voting requirements, if any, for Fund portfolio investments. Proxy policies seek to ensure that the Adviser votes proxies in the best interest of a Fund, including when there are material conflicts of interest in voting proxies.

It is important to note that the Adviser or General Partner will typically name one or more affiliated persons to serve on the board of directors of portfolio companies. As such, a conflict of interest could arise when voting certain common proxies, including board composition, tenure, or compensation.

The Adviser believes its interests are aligned with Fund investors through the General Partner's ownership interests in a Fund and therefore does not generally seek investor approval or direction when voting proxies. If, however, there is a conflict of interest between the General Partner and a Fund in voting proxies, the Adviser has the option to address the conflict using several alternatives, to include seeking counsel of the respective advisory board as to the proposed proxy vote or through alternatives set forth in proxy policies.

The Adviser's proxy policies are designed to ensure that any material conflict of interest is identified for a particular proxy vote and the vote is not improperly influenced by the conflict. If you are an investor and would like to obtain a copy of the Adviser's proxy voting policies or additional information about how proxies have been voted, please contact our Chief Compliance Officer at 817-984-9197.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

See Item 17A. above.

ITEM 18: FINANCIAL INFORMATION

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

SCM does not require or solicit prepayment of advisory fees six months or more in advance.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

SCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds or investors.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

SCM has not been the subject of a bankruptcy or insolvency proceeding.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

N/A