

## **Item 1. Cover Page**

### **Form ADV Part 2A**

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Brochure date: March 26, 2021

**This brochure provides information about the qualifications and business practices of 1315 Capital, LLC. If you have any questions about the contents of this brochure, please contact Brian Schwenk at (215) 662-1318 or [brian.schwenk@1315capital.com](mailto:brian.schwenk@1315capital.com).**

**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. Additional information about 1315 Capital, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

1315 Capital, LLC is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply a certain level of skill or training.

## **Item 2. Material Changes**

This Brochure, dated March 26, 2021, replaces our previous brochure, dated February 20, 2020. This Brochure makes minor changes when compared to the brochure dated February 20, 2020. 1315 Capital, LLC will update this Brochure no less than annually. You are encouraged to read this document in its entirety.

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## Item 4. Advisory Business

1315 Capital, LLC is a private equity investment firm formed in the state of Delaware and co-founded in 2014 by Partners Adele C. Oliva and Michael Koby (the “Co-Founders”). The Co-Founders collectively have over 35 years of private equity and growth investing experience. The Co-Founders are currently supported by 7 additional professionals and 6 Operating Team partners with broad financial experience. 1315 Capital, LLC maintains its principal office at 2929 Walnut Street, Suite 1240, Philadelphia, PA 19104.

**Types of Advisory Services** - 1315 Capital, LLC and its affiliated relying advisers (collectively known as “1315 Capital” or “Adviser”) provide investment management services to pooled investment vehicles, typically limited partnerships (referred throughout as the “Funds”), that invest primarily in healthcare growth businesses within the specialty therapeutics, medical technologies, and healthcare services sectors. 1315 Capital serves as the general partner and manager of three private funds: 1315 Capital, L.P., 1315 Capital AIV, L.P. and 1315 Capital II, L.P. Additional information about these advisory services and types of clients is described immediately below and in Item 7.

These investments employ a variety of structures and transaction types, including minority or majority ownership positions, growth capital, buyouts, or some combination thereof. For additional information about these investment strategies please refer to Item 8. References herein to 1315 Capital may include, as the context requires, various entities controlled by 1315 Capital and through which 1315 Capital provides investment management services, such as entities that serve as general partners to its Funds.

1315 Capital’s only clients are the Funds, each of which is not registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). No Funds’ shares are offered hereby and each Fund is open for investment through a “private placement” offering. The Funds are intended only for accredited investors, qualified clients and qualified purchasers, as defined under Federal securities laws.

1315 Capital provides investment advisory services to each Fund in accordance with the Fund’s limited partnership agreement, applicable advisory agreement and private placement memoranda. Investment advice is provided directly to each Fund, subject to the discretion and control of the Fund’s general partner, and not individually to any investor in the Funds. Investment guidelines and restrictions for each 1315 Capital Fund are established in the organizational and offering documents of the applicable Fund.

1315 Capital does not participate in wrap fee programs.

**Assets Under Management** - 1315 Capital has discretionary authority with respect to investment decisions for the Funds and has \$540,708,861 in regulatory assets under management as of December 31, 2020.

## Item 5. Fees and Compensation

The specific terms for the compensation of 1315 Capital by each Fund are dictated by the Fund's organizational documents and private placement memoranda which are provided to Fund investors (collectively known as "Offering Documents"). 1315 Capital's fees and compensation is deducted from the assets or distributions of the Funds and the investors are not separately billed for services. The various fees which 1315 Capital receives may include the following:

**Management Fee** – Each 1315 Capital Fund pays an annual management fee (the "Management Fee") equal to 2% of total capital commitments during a Fund's investment period. After the investment period, the Management Fee is 2% of the aggregate invested capital, less realized capital and plus un-called, reserved capital for follow-on investments, where applicable. Management Fees will be paid quarterly in advance as described in each Fund's Offering Documents. If an account is opened or closed during a billing period, the advisory fees are pro-rated for that portion of the billing period during which the account was open.

**Carried Interest** – The Funds will also allocate a portion of their investment profits (up to 20%) to their respective Fund's general partners, which are related persons with respect to 1315 Capital, as set forth in each of the Fund's Offering Documents (such profit allocation is commonly referred to as "Carried Interest"). Carried Interest is generally subject to the achievement of an 8% annual rate of return ("Preferred Return") on the amount of unreturned capital contributions of investors, as of the date of determination. Carried Interest, when applicable, is paid upon the distribution of proceeds generated by the dispositions of each Fund's portfolio investments and pursuant to a priority distribution waterfall after the return of invested capital and preferred return. 1315 Capital's Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Carried Interest is considered a performance-based fee and described in greater detail below in Item 6.

The General Partners of the Funds may not be subject to the Management Fee and the Carried Interest in connection with their investments in the Funds.

**Fee Income** – On occasion, 1315 Capital or employees of 1315 Capital may receive directors' fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees, or other similar fees in direct connection with partnership activities ("Other Fees"). For the avoidance of doubt, Other Fees will not include any fees or expenses paid by the Fund's portfolio companies for services rendered by the Operating Team (as defined in Item 10) partners, as further discussed in this filing.

Other Fees will generally be allocated to reduce management fees, to the extent management fees are otherwise due, on a pro rata basis relative to each Fund's holdings of that portfolio company as of a date reasonably determined by the general partner. Within each Fund, the amount so allocated will reduce each investor's future management fees payable to 1315 Capital based on the total fees paid by such investor during the preceding year in accordance with the Funds' partnership agreements. In cases where Funds have closed and have no future management fees, no allocation will be made.

Other Fees from portfolio companies paid to 1315 Capital employees will be forwarded to, and for the account of, 1315 Capital to offset future management fees. Any stock or stock options required to be held in the individual 1315 Capital employee's name will be segregated from his/her personal holdings to the

extent possible, until such stock or stock options are exercised and sold, and the proceeds are forwarded to the account of 1315 Capital.

***Other Fund Expenses*** – The Funds are responsible for all expenses related to its activities, including (i) fees and expenses relating to the purchase, sale, or holding of investments (whether or not consummated), (ii) legal, custodial, bookkeeping, accounting, auditing, investment banking, brokers and similar consulting and professional fees, (iii) insurance premiums for director’s and officer’s liability insurance and other risk management related costs, (iv) costs associated with capital calls on the investors and distributions to the investors and any other communication or correspondence with the investors, (v) costs associated with acquisition and maintenance of the accounting and reporting system, (vi) appraisal and valuation expenses, (vii) costs associated with any meetings of the investors or the Advisory Committee (as defined in Item 8) of the Funds, (viii) costs associated with registration of securities held by the Funds, maintaining the legal status of the Fund, and liquidation of the Fund, and (ix) taxes, and other governmental charges, fees and duties payable by the Fund. Additionally, the Funds will be responsible for all offering and organizational expenses incurred in the formation and liquidation of the Funds, subject to limitation by the Fund’s Offering Documents. The Funds have not paid any finder’s fees or broker’s fees in connection with the offering and placement of Fund interests to investors. Any expenses common to the Funds managed by 1315 Capital or its affiliates generally will be allocated among such entities on a basis reasonably believed by 1315 Capital to be equitable based on the relevant facts, such as the relative sizes of the participating Funds and the particular circumstances that caused the expense to be incurred with respect to each participating Fund.

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

As described above, 1315 Capital may be paid Carried Interest. Certain 1315 Capital employees and affiliated persons receive Carried Interest, which is tied explicably to the performance of a particular Fund, and such compensation will continue to be earned based upon the performance of a Fund's portfolio, rather than that of individual investments. The existence of the Carried Interest may create an incentive for 1315 Capital to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest.

Each of the Funds will generally have a similar compensation structure which will include a Management Fee and Carried Interest, as described above.

As a fiduciary to its Funds, 1315 Capital's compliance policies and procedures and its code of ethics policy, (collectively, the "Compliance Program") which prohibit the favoring of one Fund over another or considering 1315 Capital's financial interest when providing investment advice to Funds. In addition, part of 1315 Capital's employees' compensation may include Carried Interest, which is paid based on the Fund's overall performance and not the outcome of any single transaction or investment.

## Item 7. Types of Clients

1315 Capital provides discretionary investment advisory services to the Funds. Interests in the Funds may be purchased only by individuals and entities who are “accredited investors” as defined in Regulation D promulgated under the Securities Act and “qualified clients” (as defined in Rule 205-3 of the Investment Advisers Act of 1940), or “qualified purchaser” as identified in the 1940 Act. Investors in the Funds may include, but are not limited to, public and private pension plans, corporate and business entities, endowments and foundations, trusts and high net worth individuals. Minimum capital commitments from investors are specified in each Fund’s Offering Documents. Each Fund’s general partner has the discretion to waive or reduce the minimum capital commitment and has done so for certain investors. Any disclosed general partner commitments by 1315 Capital may be funded by contributions from the Co-Founders, employees, affiliated persons and others.



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

**Methods of Analysis and Investment Strategies** – 1315 Capital’s investment objective is to provide investors in the Funds with attractive, risk-adjusted returns through a portfolio of investments in healthcare growth businesses within the specialty therapeutics, medical technologies, and healthcare services sectors. 1315 Capital’s core investment strategy is to make private equity investments in portfolio companies in order to generate capital appreciation. 1315 Capital pursues companies that it believes have attractive risk/return profiles and uses both quantitative and qualitative screens to evaluate each investment opportunity, seeking companies that typically possess one of more of the following attributes, among others: a proven and scalable business model, strong growth potential, a defensible market position and a core team of talented and committed managers. Each Fund’s Offering Documents will more fully describe the Fund’s specific investment objective and the risks associated with them. Prospective investors are advised to carefully read these documents before investing as there can be no assurance that each Fund’s objective and strategy will achieve any particular returns or avoid a loss. A Fund’s ability to achieve returns will depend on a variety of factors, many of which are beyond its or 1315 Capital’s control.

**Material Risks** – Investment in private equity funds involves a substantial degree of risk. A Fund may lose all or a substantial portion of its invested capital and Fund investors must be prepared to bear the risk of a complete loss of their investments.

Material investment risk include but are not limited to the following, each of which are described in more detail in the applicable Fund’s Offering Documents:

- **No Assurance of Investment Return** - Past performance of any of the Funds, the general partner or 1315 Capital or any success they may have had in any similar venture is no assurance of future success, as investment results will not be guaranteed. The success of the Funds will depend on the general partners’ ability to execute the business plan of each Fund and there can be no assurance that 1315 Capital will be able to effectively implement the Funds’ acquisition, operating or growth strategies. 1315 Capital cannot provide assurance that it will be able to choose, make and realize gains on investments in any particular portfolio company and there is no assurance that the Funds will be able to generate returns for the investors or that any returns generated will be commensurate with the risks of investing in the type of companies and transactions described herein. Even if one or more of the portfolio companies is successful, there can be no assurance that the investors will receive distributions from the Funds in an amount equal to their investment in the Funds and investors may lose their entire investment. An investment in the Funds should only be considered by persons who can reasonably afford a loss of their entire investment.
- **Nature of Investment and Illiquidity** - An investment in the Funds requires a long-term commitment with no certainty of return. There likely will be little or no near-term cash flow available to the investors. Most of the Funds’ investments will be highly illiquid and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the partners. Generally, the Funds will not be able to sell these securities publicly without the expense and time of registering them under the applicable Federal securities laws or will be able to sell the securities only under Rule 144 or other rules that permit only limited sales under specified conditions. There can be no assurance that the Funds will successfully liquidate their investments

in portfolio companies upon a sale, a public offering or otherwise. Since the Funds may only make a limited number of investments and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the investors.

- *Uncertainty of Financial Projections* – 1315 Capital will often rely on financial and operating projections for portfolio companies, which will normally be based on the judgments of the portfolio companies' management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- *Unspecified Investments* - An investment in the Funds represents an investment in the ability of 1315 Capital to select appropriate investments on behalf of the Funds rather than an investment in a specific portfolio of assets. The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives and it is possible that the Funds will not fully invest their capital if sufficiently attractive investments are not identified or, if identified, are not consummated. There can be no assurance that the Funds will be able to identify and complete investments or that the Funds' investments will be successful. Investors in the Funds will not have the opportunity to evaluate business, financial and other information that will be used by the general partner in its analysis, selection and monitoring of portfolio company investments for the Funds.
- *Risk of Certain Investments* - In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors to the extent of their commitment. The Funds may invest in companies that are financially leveraged or troubled or potentially troubled and may be or have recently been involved in restructurings, bankruptcy, reorganization or liquidation. Securities of such companies are likely to be particularly risky investments. As a result, the Funds may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investments in any security. Securities in which the Funds may invest may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, the Funds may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.
- *Investments in Privately Held Companies Present Challenges* - The Funds will invest in privately held companies. Generally, very little public information exists about these companies and the Funds will be required to rely on the ability of the general partner to obtain adequate information to evaluate the potential returns from investing in these companies and to effectively structure transactions to protect the Funds' interests. Moreover, these companies typically depend upon the management talents and efforts of a small group of individuals, and the loss of one or more of these individuals could have a significant impact on the investment returns from a particular portfolio company. Also, these companies frequently have less diverse product lines and a smaller market

presence than larger competitors. They are generally more vulnerable to economic downturns and may experience substantial variations in operating results that may not impact other companies in the same industry.

- *Control Position* - The Funds may obtain a controlling or other substantial position in a portfolio company. If such a position is taken, the Funds may be required to make filings concerning its holdings, and it may become subject to regulatory restrictions that could limit the ability of the Funds to dispose of its holdings at the times and in the manner the Funds would prefer. Violations of any such regulatory requirements could subject the Funds to significant liabilities. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, the Funds may incur large expenses when taking control positions in distressed securities and due to the uncertainty of such investments, there is no guaranty that such expenses can be recouped. Also, there is no guarantee that the Funds will succeed in obtaining control positions. This could result in the investments being frozen in minority positions that incur substantial losses.
- *Minority Ownership Positions* - The Funds also may invest in minority positions of portfolio companies. In such cases, the Funds may not be able to exert the same influence or control over the management of the portfolio companies as would be the case if the Funds maintained a controlling interest in such portfolio companies. In these cases, while the Funds may not acquire a controlling position in the business, 1315 Capital investment structures may include preferred securities with a mandatory redemption right exercisable after a certain number of years, board representation and other protective provisions requiring the consent of 1315 Capital for certain corporate matters. Even with such structuring in place, the Funds' investment will be reliant on the portfolio company's management and board, which may include parties whose interests may conflict with the interests of the Funds. In cases in which the Funds do not maintain a controlling interest, the Funds may be subject to the discretion of others as to the management of such portfolio companies. These parties may execute a management plan or make strategic judgments that differ from that of the Funds, in which case, the performance of the Funds' investments in such companies may be subject to the decisions of such parties. There can be no assurance that the management team of a portfolio company will operate the portfolio company in accordance with the Funds' plan or in a manner in which the Funds would manage such investment if they maintained greater control.
- *Investments or Operations Outside the U.S. and Canada* - The Funds may invest, to a limited extent, in portfolio companies which have a principal place of business or operations that are located outside the U.S. or Canada, and these overseas investments may entail risks not present in U.S. markets. These risks include the possibilities that foreign markets may not be as developed or efficient as those in the United States, that securities of some foreign issuers may be less liquid than those of comparable U.S. issuers, that volume and liquidity in most foreign markets are less than in the United States, and that at times volatility of price can be greater than in the United States. In addition, applicable regulations may be less stringent or different than in the U.S., less information may be publicly available, and non-U.S. issuers and foreign operations may not be subject to accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers. Many of the potential risks that exist in overseas markets may also exist in Canada. Moreover, because evidences of ownership of such instruments may be held outside the United States, the Funds may be subject to additional risks, including possible adverse political and

economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions, which might adversely affect payments on foreign instruments or might restrict payments to foreign investors.

- *Investments in Regulated Industries* - 1315 Capital may invest in businesses that operate in sectors that are under close and frequently changing regulation, regulatory and legislative oversight, and governmental agency scrutiny. In addition, various legislative proposals are introduced from time to time at the federal and state level, and any such proposals, if adopted, could have a significant adverse impact on the industries in which a Fund may invest. In addition, if a portfolio company fails to comply with the regulatory requirements for its business, it could face significant monetary liabilities, fines and penalties, as well as reputational damage, each of which would have a significant adverse effect on the operating results of the portfolio company and in turn, the performance of a Fund.
- *Concentration* - The Funds have the ability to concentrate their investments by investing a certain amount of their commitments in a single portfolio company and an unlimited amount of their assets in a single industry. The overall impact on the Funds of adverse movements in the value of the securities of a single issuer or industry may be considerably greater than if the Funds were not permitted to concentrate its investment to such an extent. Events negatively affecting companies involved in the healthcare market (such as changes in laws or regulations, lawsuits and regulatory proceedings, patent considerations, intense competition and rapid technological change and the potential for obsolescence) likely will have a material adverse effect on each Fund.
- *Leverage* - The Funds may also invest in portfolio companies which may borrow without limitation and may utilize various lines of credit and other forms of leverage. While leverage presents opportunities for increasing a portfolio company's total return, it has the effect of potentially increasing losses as well. The use of leverage results in increased interest expense and other costs to the company that may not be covered by revenues during economic downturns. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the portfolio company's net assets will decrease. Accordingly, any event that adversely affects the value of an investment by a portfolio company would be magnified to the extent a portfolio company is leveraged. Leverage also may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. Leveraged portfolio companies will expose the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service requirements, the Funds may suffer a decrease in income or loss of principal, which could adversely affect the returns of the Funds.
- *Competition for Investments* - The Funds will be subject to intense competition for investment opportunities with many sources of capital, including financial buyers (including other private equity funds), strategic buyers and other financing sources. The population of financial buyers has increased and the aggregate capital available to such buyers is significant. Strategic buyers are active acquirers of businesses and often have the ability to pay more for an investment given the perceived synergies with their existing businesses. Some of these competitors may have more

relevant experience and greater financial resources than 1315 Capital or the Funds. Additionally, such competitors may also be able to accept (or be willing to take on) more risk than the Funds deem prudent. Increased competition would make it more difficult for the Funds to originate, negotiate and close investments at attractive prices. In addition, the Funds may make investments in foreign markets, which will add a new level of competition. As a result of this competition, sometimes the Funds may be precluded from making otherwise attractive investments or may be required to compete with other market participants for investment opportunities. There can be no assurance that the Funds will be able to invest its capital on terms favorable to the Funds.

- *Risks Relating to Due Diligence of and Conduct at Portfolio Companies* - Before making investments, 1315 Capital will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, including Senior Operating Advisors, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to 1315 Capital's reduced control of the functions that are outsourced. In addition, if 1315 Capital is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, 1315 Capital will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that 1315 Capital carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve its desired effect and potential investors should regard an investment in a Fund as being speculative and having a high degree of risk.
- *Reliance on Management* - Decisions with respect to the management of the Funds will be made by 1315 Capital. The success of the Funds will depend on the ability of 1315 Capital to identify and consummate suitable investments and dispose of the investments at a profit. The loss of the services of one or more of key personnel could have an adverse impact on the Funds' ability to realize its investment objectives.
- *Investment Guarantees and Indemnities* - The Funds may enter into guarantees of investment-level obligations (i.e., portfolio companies), letters of credit or indemnities related to the investment with third parties. These guarantees and indemnities may expose the Funds to additional risk and default of repayment of such guarantees. In addition, these guarantees may provide for joint and several liabilities between a main Fund and a parallel fund. If they do, it is possible that either the main Fund or a parallel Fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, a main Fund and a parallel Fund will typically enter into a cross-indemnity between themselves pursuant to which each will indemnify the other to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that either the



main Fund or a parallel Fund may be ultimately responsible for more than its pro rata share of any obligation.

- *Need for Follow-On Investments in Portfolio Companies* - Certain investments made by the Funds may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon the Funds' investments.
- *Bridge Financing* - From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. A fund may also make other short-term investments in portfolio companies. Such bridge investments would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Fund's control, such long-term securities may not be issued and such bridge investments may remain outstanding. In such event, the interest rate on such investments may not adequately reflect the risk associated with the unsecured position taken by a Fund.
- *Market Volatility* - Volatile market conditions can potentially have a dramatic effect on private equity investing. In addition, terrorist attacks and other acts of violence or war may affect the operations and profitability of the Funds' portfolio companies. Such events could cause consumer confidence and spending to decrease or result in increased volatility and uncertainty in the U.S. and worldwide financial markets and economy. Any of these occurrences could have a significant impact on the operating results and revenues of the Funds' portfolio companies and, in turn, on the return of the Funds' investments.
- *The Funds May Hold Investments at the Date of the Termination of Each Fund* - The Funds may make investments with maturity dates later than the date on which each Fund will be dissolved, either by expiration of each Fund's term or otherwise. Although 1315 Capital expects that investments will be disposed of prior to dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. 1315 Capital may also seek Fund extensions in accordance with the Fund's organizational documents or be required to distribute such investments to the investors if it cannot liquidate them in a manner that it believes to be in the best interests of the Funds, which may result in investors holding securities which maintain substantial limitations on the ability of investors to transfer them.
- *Limitation to Participation in Management; Potential Concentration of Voting Power* - 1315 Capital will control most decisions, including decisions relating to the day-to-day operations of the Funds. Fund investors have no right to participate in the management of the Funds or to otherwise participate in making decisions that may materially affect the value of their investment. Investors will be able to vote on matters concerning the Funds only in a very limited set of circumstances as outlined in the Funds' Offering Documents, such as removing the general partner or terminating the investment period in certain circumstances. Even in situations in which the investors vote on Fund matters, a small group of investors with relatively large commitments may have the requisite percentage of votes to determine the outcome of such decisions. Such a concentration of voting power, if it occurs, could have the effect of limiting the ability of investors with relatively smaller commitments to have a meaningful vote on matters requiring a vote.
- *Limited Recourse and Indemnification* - The partnership agreements limit the circumstances under which 1315 Capital or their affiliates will be held liable to the Funds. As a result, investors may

have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the partnership agreements provide that the Funds will indemnify 1315 Capital, their affiliates, partners and employees for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially adversely affect the returns to investors. An indemnification obligation of the Funds would be payable from the assets of the Funds, including unpaid commitments of the investors. Additionally, 1315 Capital's insurance coverage may not include enough coverage to address all claims, losses, damages or expenses that might arise. If either the assets or the insurance coverage of the Funds is insufficient, 1315 Capital may recall capital previously returned to the Investors.

- Portfolio Company Litigation* - To the extent that litigation arises with respect to any of the Funds' portfolio companies, 1315 Capital or the Funds may be named as a defendant, and as a result, there could be significant costs and a diversion of management's time and resources. Additionally, to the extent that 1315 Capital provides any managerial assistance to the portfolio company or has representatives on such portfolio company's board of directors, the costs and diversion of management's time and resources in assessing the portfolio company could be substantial in light of any litigation, regardless of whether 1315 Capital or a Fund is actually named as a defendant. Furthermore, any litigation involving a portfolio company may be costly and affect the operations of such portfolio company's business, which could in turn have an adverse impact on the value of the Fund's investment in such company. The aforementioned litigation risks are particularly acute in industries characterized by evolving litigation and liability environments that may change over time based on judicial decisions and legislative activity which include certain industries in which Funds have invested or are expected to invest, including the security, education, financial services and healthcare industries.
- Changes in Environment* – 1315 Capital's investment program is intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which a Fund operates is expected to undergo substantial changes, some of which may be unfavorable to a Fund. In addition, occasionally other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that have significant impacts on financial markets and could materially negatively impact the Funds, the financial and operational performance of their portfolio companies, and the value of their portfolio investments. 1315 Capital will have the exclusive right and authority (within limitations set forth in the Partnership Agreement) to determine the manner in which 1315 Capital shall respond to such changes, and Limited Partners generally will have no right to withdraw from a Fund or to demand specific modifications to the Fund's operations in consequence of such changes. Prospective investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by members of 1315 Capital in the past may not be successful, or even practicable, during the term of a Fund.
- Duties of Members of Valuation or Advisory Committee* - Neither the members of the Fund's Valuation and/or Advisory Committees (i.e., third party investor committee) nor investors whom they represent will owe any duties (fiduciary or otherwise) to the Funds, any other investor or any other person or entity with respect to their activities on the Valuation and/or Advisory Committees other than their obligation to act in good faith. The members of these Committees are permitted to consider only the respective interests of the investors whom they represent when making any decisions as members of these Committees.

- Consequences of Default* - If investors fail to fund their commitment obligations or to make required capital contributions when due, the Funds' ability to complete their investment program or otherwise continue operations may be substantially impaired. An investor's failure to fund such amounts when due is an event of default. A default by a substantial number of investors may limit opportunities for investment diversification and may reduce returns to the Funds. A default by any single investor could result in substantial costs to the Funds if such default causes the Funds to fail to meet its contractual obligations or if 1315 Capital must pursue remedial action against such investor as outlined in the Fund's Offering Documents. A default will have significant adverse consequence to the investors.
- Limited Transferability and Illiquidity of Interests* - Purchase of the interests should be considered a long-term investment. Fund investors may not withdraw capital from the Funds. Transfer of the interests is subject to significant restrictions. Interests are not transferable except with the consent of the Fund's general partner. There will be no public market for the interests. Each investor will be required to represent that it is acquiring its interest for investment purposes and not with a view to resale or distribution. Each investor must be prepared to bear the economic risk of an investment for an indefinite period. The interests will not be registered under the Securities Act by reason of specific exemptions under the provisions of the Securities Act, which exemptions depend, in part, upon the agreement of the purchasers not to transfer their interests absent registration thereof or reliance upon an applicable exemption from such registration requirements. Sales or other transfers of the interests may be made only in compliance with the Securities Act, applicable state securities laws and certain limitations set forth in the partnership agreement, such as prohibitions on transfers if each Fund would be required to register as an "investment company" under the Investment Company Act. Each Fund is not obligated to, nor does it intend to, register the Interests in order to permit the resale thereof by investors. Because of these restrictions and the absence of a public market for the interests, an investor may be unable to liquidate its investment even though its personal financial circumstances would make liquidation advisable or desirable. The interests will not be readily acceptable as collateral for loans. Moreover, even if an investor were able to dispose of its Interests, adverse tax consequences could result.
- Cybersecurity* – 1315 Capital, the Funds' service providers, portfolio companies and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. 1315 Capital has taken steps to evaluate and mitigate cybersecurity risks, but there can be no assurance that such steps and any policies or practices will adequately address or prevent all types of cybersecurity risks. Such systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems. Third parties may also attempt to fraudulently induce employees or investors to disclose sensitive information in order to gain access to 1315 Capital's data or that of the Funds' investors. A successful penetration or circumvention of the security of the 1315 Capital's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause 1315 Capital or the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.



- *Fraud* - There can be no assurance that 1315 Capital or a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor its investments on an ongoing basis. In the event of fraud by any portfolio company or any of its employees or affiliates, a Fund may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of a portfolio company. Such inaccuracy or incompleteness may adversely affect the value of Funds' securities and/or other investments in such portfolio company. In certain investments, 1315 Capital will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners, if applicable, in the due diligence process to the extent reasonable when it makes its investments, but it cannot guarantee such accuracy or completeness. Under certain circumstances payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.
- *Conflicts of Interest* - Conflicts may arise in instances where the interests of 1315 Capital and its affiliates may conflict with the interests of the Funds and the investors. Fund investments are also subject to various conflicts of interest, including those between co-investors in specific projects, between various investors in a Fund, and between 1315 Capital and a Fund. Prospective investors are advised to review the applicable Fund's Offering Documents that discuss the conflicts of interests when investing in a Fund. Additional conflicts of interest information are described in Item 10.

## **Item 9. Disciplinary Information**

Neither 1315 Capital nor any of its employees have been involved in the past ten years in any legal or disciplinary event that 1315 Capital believes is material to an investor or prospective investor in their evaluation of 1315 Capital's advisory business of management.

## Item 10. Other Financial Industry Activities and Affiliations

1315 Capital acts as general partner or managing member of the Funds.

**Conflicts of Interest** – Please see below for a description of various conflicts of interest that may arise as a result of 1315 Capital’s management of its Funds.

*Co-investment Opportunities between Funds* – Investment opportunities may arise that are appropriate for co-investment between Funds. Under the organizational documents and as fully described in the Funds’ Offering Documents, investment opportunities are to be presented in a specific manner and must comply with the Allocation of Deal Flow section of the relevant Fund partnership agreement.

*Co-investment Opportunities between the Funds and Investors* – In accordance with the Funds’ Offering Documents, 1315 Capital may, in its sole discretion, offer to certain investors an opportunity to invest in a Fund investment (“Co-Investment Opportunity”) provided, however, that no such co-investment will be permitted unless and until 1315 Capital has determined that the Fund’s investment and the amount considered is prudent for the Fund. If a Co-Investment Opportunity is offered, certain investors may be allowed to invest on substantially the same terms and conditions as the Fund, subject to tax, legal, regulatory or similar considerations.

To the extent 1315 Capital incurs costs and expenses associated with initiating a Co-Investment Opportunity, whether consummated or not, those costs and expenses will be borne by the Fund and participating investors pro rata in proportion to the amount of capital committed by each to such Co-Investment Opportunity. In the event that 1315 Capital is not successful in offering a Co-Investment Opportunity to potential co-investors, in whole or in part, a Fund may consequently have a greater concentration and exposure in the related investment opportunity that was initially intended, which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions effecting the related investment. An investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce the Fund’s overall investment returns.

1315 Capital may determine that it is desirable for all or a portion of an investment opportunity to be purchased by certain participants in the applicable deal, including, without limitation, co-sponsors, consultants and advisers to 1315 Capital, employees of an applicable portfolio company, strategic partners or such persons acting as finders or brokers of transactions. These Co-Investment Opportunities may be offered by 1315 Capital without regard to the co-investment procedures described above. In all such co-investment situations, 1315 Capital will act in the best financial interest of a Fund.

*Cross Trades, Principal Trades and Personal Transactions* – A Fund may not acquire any portfolio investment from or sell any portfolio investment to any of its affiliates, the affiliates of 1315 Capital, or any key persons as defined in the Fund’s organizational documents or an employee, director or officer of 1315 Capital, other than parallel fund(s) (if any), without the approval of the Fund’s applicable Advisory Committee. No Co-Founder, employee, or Operating Team member may invest directly in a privately-held company in which a 1315 Capital Fund can invest without first seeking pre-clearance, as required by 1315 Capital’s code of ethics, and obtaining approval

from the Fund’s Advisory Committee. No employee may acquire publicly traded securities issued by a Fund portfolio company. As set forth in 1315 Capital’s code of ethics, no employee may buy, sell, or otherwise trade any healthcare related public company stock, and no employee may invest in any non-healthcare company IPO or private placement without first seeking pre-clearance.

*Outside Business Activities* – 1315 Capital Co-Founders, employees and Operating Team members may have business interest separate and apart from their interest in the Funds. New outside business interests are subject to review by the Chief Compliance Officer to check for identifiable conflicts of interest. Existing outside business interest are reviewed at least annually for changes in circumstances which may be expected to lead to material conflicts. When an employee becomes aware of a material conflict of interest between them or their role with respect to the Fund and one of their outside business interests, they are expected to inform 1315 Capital’s Chief Compliance Officer and, where possible, propose methods to mitigate the conflict. Mitigation efforts may include, among other things, recusing themselves from participating in certain decisions, and, where required by a Funds’ limited partnership agreement, disclosing such material conflict to, or seeking a waiver of such conflict from the applicable Fund’s Advisory Committee. Nevertheless, from time to time, various conflicts of interest may arise.

*Relying Advisers* – 1315 Capital provides investment advisory services to, and it and its affiliates serve as sponsors of, the Funds, and may, in the future provide investment advice to and/or serve as sponsors of affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. The general partners and managing members are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to 1315 Capital’s registration. These affiliated investment advisers operate as a single advisory business together with 1315 Capital are under common control and are subject to 1315 Capital’s Code of Ethics and compliance programs adopted pursuant to the requirement of the Advisers Act.

*Operating Teams* – 1315 Capital leverages three teams, each consisting of a CEO and his or her long-time executive partner (“Operating Teams”), who collaborate and provide a more complete package and skills to navigate diligence, drive decisions and achieve premium exits. These Operating Teams remain in full-time roles, allowing 1315 Capital to benefit from “on the ground” market perspectives. They assist 1315 Capital with a variety of activities, including market research, deal generation, pre-investment diligence and post-investment value creation. The Operating Teams are not employees of 1315 Capital but consultants who, outside of their full-time management roles, work exclusively with 1315 Capital.

Each Operating Team member is paid an equal quarterly stipend for their work with 1315 Capital. In addition, each Operating Team member has made a material investment in the Funds and has material Carried Interest. Operating Team members often take a board seat of Funds’ portfolio companies, can provide additional services directly to the Funds’ portfolio companies and may also earn transaction-related fees on Fund investments. In such cases, Operating Team members may receive compensation directly from the portfolio company. As Operating Team members are consultants and not employees of 1315 Capital, this compensation is not “Fee Income” and therefore will not offset 1315 Capital Management Fees.

*Service Providers* – Certain advisers and service providers (including accountants, administrators, lenders, brokers, attorneys, consultants, investment or commercial banking firms) may be investors

in the Funds. These relationships may influence 1315 Capital in deciding whether to select or recommend such a service provider to perform various services for a Fund or portfolio company. Notwithstanding the foregoing, investment transactions for a Fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution, and other considerations, such as service provider's provision of certain investment-related services that 1315 Capital believes benefits a Fund.

*Side Letters* – 1315 Capital may from time to time enter into other written agreements or side letters with one or more investors whereby, in consideration of agreeing to invest certain amounts in a Fund and other considerations deemed materially beneficial to a Fund in the sole discretion of 1315 Capital, such investors may be granted rights not otherwise afforded to other investors who have invested lesser amounts. These side letters may entitle an investor to make an investment in a Fund on terms other than those described in the Fund's Offering Documents. Any such terms, including with respect to (i) reporting obligations, (ii) transfer rights to affiliates, (iii) withdrawal rights due to adverse tax or regulatory events, (iv) consent to rights to certain partnership agreement amendments, or (v) any other matters described in the Fund's Offering Documents may be more favorable than those offered to any other investor who have invested lesser amounts. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the partnership agreement with respect to such investor.

*Taxable and Non-taxable Entities* – Investors in the Funds are expected to include both taxable and tax-exempt entities. In addition, investors likely will include persons and entities organized in various jurisdictions. As a result, decisions made by 1315 Capital and its affiliates may create conflicts of interest among such investors because those decisions may be more beneficial for one type of investor than for another. In selecting investments that are appropriate for a Fund, 1315 Capital will consider the investment objectives of each Fund as a whole and not the investment objectives of any individual investor.

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

**Code of Ethics** – 1315 Capital has adopted a written Code of Ethics (the “Code”) that is applicable to all of its partners, officers and employees (“Access Persons”), and is designed to comply with Rule 204A-1 of the Advisers Act. 1315 Capital’s Code is based upon the premise that 1315 Capital and its Access Persons have a fiduciary responsibility to render professional, continuous, and unbiased investment advisory service and put the interests of its Funds first. The Code requires all Access Persons to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Fund interest ahead of those of 1315 Capital; (3) observe 1315 Capital’s personal trading policies so as to avoid “front-running” and other conflicts of interest between 1315 Capital and its Funds; (4) report any perceived violations of the Code; and (5) ensure that they have read the Code, agreed to adhere to the Code and are aware that a record of all violations of the Code will be maintained by 1315 Capital.

The Code governs the securities trading and investing activities of all Access Persons for their own personal accounts. Access Persons must first pre-clear personal trades for covered securities, as defined under the policy, in a personal account. They must also seek preapproval when participating in a private placement or transacting in initial public offerings (IPOs). A pre-clearance request will be denied if a securities issuer is under consideration for investment or has been acquired by a 1315 Capital Fund or 1315 Capital is in receipt of material non-public information related to a company or if another conflict exists. In addition, all Access Persons are prohibited from trading, either personally or on behalf of others, on material nonpublic information or communicating material nonpublic information to others in violation of the law.

Under the Code, Access Persons are also required to file certain periodic reports and certifications with 1315 Capital’s Chief Compliance Officer. A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are also required to attend annual Code of Ethics training and certify that they are in compliance with the Code. Access Persons who violate the Code can be subject to sanctions by 1315 Capital’s Compliance Committee, including possible employment termination. A copy of the Code is available upon request from 1315 Capital’s Chief Compliance Officer.

Access Persons, including voting members of 1315 Capital’s Investment Committee, may have business interests separate and apart from their interests in 1315 Capital and its Funds. Such outside business interests may include controlling, voting and non-voting interests in private equity funds, operating companies and private real estate investments. New outside business interests are subject to review by the Chief Compliance Officer to check for material conflicts of interest. Existing outside business interests are reviewed at least annually for changes in circumstances which may be expected to lead to material conflicts. If an employee becomes aware of a material conflict of interest between such employee or such employee’s role with respect to a Fund and one of such employee’s outside business interests, such employee is expected to inform 1315 Capital’s Chief Compliance Officer and, where possible, propose methods to mitigate the conflict. Mitigation efforts may include, among other things, recusing oneself from participating in certain decisions, and, where required by a Fund’s limited partnership agreement, disclosing such conflict to, or seeking a waiver of such conflict from, the applicable Fund’s executive committee. Nevertheless, from time to time, various conflicts of interest may arise.

Certain employees and affiliated persons of 1315 Capital may invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. 1315 Capital or an affiliated general partner, as

applicable, may reduce all or a portion of the Management fee and/or Carried Interest related to investments held by such persons.

## Item 12. Brokerage Practices

As the 1315 Capital Funds primarily invest in private transactions, 1315 Capital does not maintain or operate a traditional securities trading desk to engage in the execution of publicly traded securities for the Funds. However, to meet its fiduciary duties to the Funds, 1315 Capital has adopted policies and procedures to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities. In placing trades of publicly traded securities, 1315 Capital will seek “Best Execution” for each transaction. Best Execution means obtaining for the Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker-dealer. In determining whether a particular broker or dealer is likely to provide Best Execution in a particular transaction, 1315 Capital will take into account all factors that it deems relevant to the broker’s or dealer’s execution capabilities, including but not limited to price, the size of the transaction, the nature of the market, the amount of the commission, the timing of the transaction, the reputation, financial stability, execution capabilities, experience, and quality of service of the broker dealer.

1315 Capital seeks to have its privately negotiated transactions, including publicly traded securities, executed in the best interest of the Funds, taking into account various factors such as the size, cost, competence, market activity and the availability of brokers/dealers.

If a Fund would transact in a publicly-traded security and incur a trade error, such error is to be corrected by 1315 Capital as soon as practicable and in a manner so that such Fund incurs no financial loss.

1315 Capital does not participate in or accept soft dollar benefits or commission sharing arrangements and does not direct brokerage in exchange for referrals.

Due to the nature of our strategies, there are no purchase or sale orders of securities that are aggregated for the Funds.



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

***Oversight and Monitoring*** - 1315 Capital's Co-Founders and investment professionals are responsible for reviewing and monitoring each Fund's portfolio companies on a continual basis. In addition to daily communication among the investment professionals, planned weekly and ad hoc meetings are held to review the status of each Fund. Fund monitoring also generally includes reviews of monthly financial reporting packages from the Funds' portfolio companies, attendance at a portfolio company's board of director meetings and participation in their annual strategic planning and budgeting sessions.

***Investor Reporting*** – Fund investors generally receive the following reports: (i) annual audited financial statements of the Fund, (ii) quarterly reports containing a brief narrative of the status and operations of each Fund investment and (iii) such other information as is necessary for the preparation of tax returns. Furthermore, there is an annual meeting of investors to review the status of each Fund.

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

1315 Capital does not receive any compensation or economic benefit (i.e., sales awards or prizes) from any third-party person or entity for advisory service other than from the Funds. 1315 Capital does not currently pay third parties a fee or compensation for the referral of investors. In the event 1315 Capital should contract with a third party, 1315 Capital will notify investors via an update to the brochure.

## **Item 15. Custody**

1315 Capital is deemed to have custody of its Funds assets by virtue of its status as the general partner of the Funds. 1315 Capital complies with the Advisers Act custody rules in the following manner, each Fund: (i) is subject to audit by an independent accountant registered with the PCOAB, at least annually; (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year; and (iii) upon liquidation will distribute its audited financial statements to all investors promptly after the completion of such audits. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a qualified custodian.

## **Item 16. Investment Discretion**

Under each Fund's Offering Documents, 1315 Capital has investment discretion to manage the Funds' assets. The Funds' investments, 1315 Capital's investment strategy and guidelines around the use of 1315 Capital's discretion are described in detail in each Fund's Private Placement Memorandum.

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

1315 Capital has established written policies and procedures setting forth the principles and procedures by which 1315 Capital votes securities owned by the Funds. To the extent that any Fund would hold voting securities, 1315 Capital has the sole authority to direct the voting of such securities. The voting securities held by the Funds generally entail larger or controlling interests of privately held issuers. Unlike the limited voting rights attributable to publicly traded securities, the Funds generally have broad voting authority on a wide range of matters affecting these privately held issuers. 1315 Capital votes such interests on behalf of the Funds, in the economic best interests of the applicable Fund. When voting securities, 1315 Capital considers relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity and customary industry and business practices. A copy of 1315 Capital's proxy voting procedures are contained within 1315 Capital's compliance manual and are available to investors in the Funds upon request.

## **Item 18. Financial Information**

1315 Capital does not require or solicit prepayment of fees six months or more in advance. Additionally, the firm is not subject to any financial condition that would reasonably impair its ability to meet contractual commitments to its Funds.