

**PAVADI CAPITAL LLC**  
**485 Madison Avenue, 7<sup>th</sup> Floor**  
**New York, NY 10022**  
**Phone: (212) 632-5410**  
**<http://www.pavadi.com>**

**March 31, 2023**

**This Brochure provides information about the qualifications and business practices of Pavadi Capital LLC (“Pavadi” or the “Investment Manager”). If you have any questions about the contents of this brochure, please contact Pavadi’s Chief Compliance Officer, Jeffrey Edelman, at (212) 632-5404 or via email at [jeff@pavadi.com](mailto:jeff@pavadi.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

## **ITEM 2 – MATERIAL CHANGES**

Pavadi is amending this Form ADV Part 2A Brochure as part of its annual update on Form ADV as an investment adviser for fiscal year ending December 31, 2022. Pavadi is required to identify and discuss any material changes made to its Brochure since the Firm's last Form ADV Amendment filed on March 31, 2022. There are no specific material changes to report.

### ITEM 3 – TABLE OF CONTENTS

ITEM 2 – MATERIAL CHANGES .....	ii
ITEM 3 – TABLE OF CONTENTS .....	iii
ITEM 4 – ADVISORY BUSINESS .....	1
ITEM 5 – FEES AND COMPENSATION.....	2
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	4
ITEM 7 – TYPES OF CLIENTS .....	5
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	5
ITEM 9 – DISCIPLINARY INFORMATION .....	12
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	12
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	13
ITEM 12 – BROKERAGE PRACTICES .....	14
ITEM 13 – REVIEW OF ACCOUNTS.....	16
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....	16
ITEM 15 – CUSTODY .....	16
ITEM 16 – INVESTMENT DISCRETION.....	17
ITEM 17 – VOTING CLIENT SECURITIES.....	17
ITEM 18 – FINANCIAL INFORMATION .....	17

## ITEM 4 – ADVISORY BUSINESS

Pavadi Capital LLC, a Delaware limited liability company founded in December 2001, (“Pavadi” or the “Investment Manager”) provides administrative and investment advisory services to pooled investment vehicles (the “Pavadi Funds”) and separately managed accounts (the “Pavadi Accounts” and together with Pavadi Funds, the “Funds”). Pavadi is led by Jeffrey S. Edelman and Zachary S. Sharon, M.D. (the “Managing Members” or “Co-Founders”).

Jeffrey S. Edelman is a principal of Pavadi Capital LLC, where he leads the finance and operations functions of the firm and co-leads investment strategy design and portfolio management. Previously, Mr. Edelman was a principal at Symphony Capital LLC (“Symphony”), which he co-founded in 2002, acting as a principal in Symphony’s private equity fund and serving as Symphony’s Chief Financial Officer. Prior to co-founding Symphony, Mr. Edelman was a Principal at Wilkerson Partners from 2001 to 2002, after having served as Director of Corporate Strategy at SelfCare from 1999 to 2000 and as a management consultant with L.E.K. Consulting and McKinsey & Company from 1996 to 1998. Mr. Edelman began his career as an investment banker in the healthcare group at Alex. Brown & Sons from 1992 to 1994. Mr. Edelman has more than 25 years of experience as a manager, strategic advisor and investor in the healthcare industry. He received an M.B.A. in Healthcare and Strategic Management from The Wharton School of the University of Pennsylvania in 1996. He received his B.A. in economics with high honors from Dartmouth College in 1992. Mr. Edelman served on the Advisory Council, Investment Committee, and Strategic Planning Committee of Montefiore Medical Center from 2011 to 2021.

Zachary S. Sharon, M.D. is a principal of Pavadi Capital LLC, where he leads the business development functions of the firm and co-leads investment strategy design and portfolio management. Previously, Dr. Sharon was a principal at Symphony, which he joined at its inception in 2002, focusing on structuring and monetizing Symphony’s private equity fund investments. Prior to Symphony, Dr. Sharon was an Associate at Wilkerson Partners from 2001 to 2002 where he worked with emerging healthcare companies and their investors. Prior to Wilkerson Partners, Dr. Sharon was a surgery resident at Stanford University Medical Center from 2000 to 2001. Dr. Sharon earned his M.D. as a member of the Alpha Omega Alpha Honor Medical Society at Wayne State University School of Medicine, where he graduated with Highest Distinction in 2000, and he earned his B.S. in biology with Highest Distinction from the University of Michigan in 1996, where he was a junior inductee to Phi Beta Kappa and a James B. Angell Scholar.

As of December 31, 2022, Pavadi is the investment manager of \$110,970,874 of regulatory assets on a discretionary basis. The Funds include (i) one Pavadi Fund, Pavadi Healthcare Value Long Only Fund LP (the “Pavadi Healthcare Fund”), and (ii) two Pavadi Accounts. In addition, in the future, Pavadi may enter into arrangements under which it will potentially provide discretionary advisory services to other pooled investment vehicles and/or separately managed accounts.

Although Pavadi generally invests in U.S.-listed equity securities of companies in the healthcare industry, it has broad and flexible investment authority with respect to the Funds, subject to certain limitations (which differ across the Funds and are set forth in the Funds’ Governing Documents, as defined below).

The investment objective of the Funds is to compound capital by earning superior returns over time via a value-oriented investment strategy focused primarily on U.S.-listed equity securities of companies in the healthcare industry. The healthcare industry may include, but is not limited to, issuers in fields such as health insurance and managed care, healthcare services, hospital management, pharmaceuticals (innovative, specialty and generic), biotechnology, medical devices, medical equipment, diagnostics and other related areas. While the Funds are currently expected to invest predominantly in U.S.-listed equity securities of health care issuers, it should be noted that, subject to certain limitations (which differ across

the Funds), there are expected to be no limitations on the types of instruments and markets in which the Funds may invest. Refer to Item 8 for further details.

Generally, and in particular with respect to the Pavadi Funds, each Fund's investment objective and strategy is set forth in a confidential private offering memorandum and/or an investment manager agreement (and any applicable supplements) provided to each investor in the relevant Fund (each, an "Investor" and together with all Funds' investors, the "Investors"). Such documents, together with the limited partnership agreements, operating agreements and other governing documents of the Funds, are collectively referred to herein as the "Governing Documents."

In providing services to the Pavadi Funds, Pavadi provides investment advice directly to the Pavadi Funds and not individually to the Investors. Pavadi neither tailors the advisory services it provides to the Pavadi Funds to the individual needs of the Investors nor accepts Investor-imposed investment restrictions. When deemed appropriate, and typically for a large or strategic investor, Pavadi may establish one or more additional Pavadi Accounts, which may (i) tailor their investment objectives to those of the specific Investors and/or (ii) be subject to different investment objectives, terms and/or fees than those of other Funds. Such investment objectives, fee arrangements and terms will be individually negotiated, and it should be noted that any such Pavadi Accounts would generally be subject to significant account minimums.

The Investment Manager has entered into an arrangement whereby it provides information regarding the Fund's investment strategy and investment activities to a third party in exchange for a fee paid to the Investment Manager. The third party is itself an investment manager that uses such information, as well as similar information from other managers, to build a quantitatively driven portfolio of its own that it offers to its clients. The third party receives such information in the form of "after the fact" access to the Fund's trading activity and holdings via a link-up with the Fund's prime broker. The third party's portfolio may be comprised in part or solely of some or all of the Fund's holdings; and the Investment Manager has no control over, or transparency with respect to, the investment activities of the third party.

Pavadi does not participate in wrap fee programs.

It is critical that Investors and prospective Investors refer to the relevant Fund's Governing Documents for a complete understanding of the terms and conditions of investments therein.

## **ITEM 5 – FEES AND COMPENSATION**

Each Fund's Governing Documents contain a detailed description of the applicable Fund's fee schedule. A brief summary of such fees is provided below.

It is critical that Investors and prospective Investors refer to the relevant Fund's Governing Documents for a complete understanding of fees and expenses of an investment in a Fund. The information contained herein is a summary only and is qualified in its entirety by such Governing Documents.

Generally, and in particular with respect to the Pavadi Funds, Pavadi receives a quarterly management fee calculated at the annual rate of (i) 1.5% of each Investor's capital account (the "Management Fee"). The Management Fee is paid quarterly in advance, based on each Investor's capital account value as of the beginning of each quarter. The Management Fee will be prorated for any period that is less than a full quarter and will be adjusted for contributions made during the quarter and paid at the time of such contribution. Notwithstanding the foregoing, each Pavadi Fund's general partner (the "General Partner"), in its sole discretion, may waive or modify the Management Fee for Investors that are members, employees

or affiliates of the General Partner or Pavadi, relatives of such persons, and for certain other Investors. Pavadi may agree to different fee terms with respect to the Pavadi Accounts.

With respect to the Pavadi Funds, at of the end of each fiscal year, the General Partner will receive an annual incentive allocation of net profits (including net realized and unrealized gains and losses) for such year equal to 15% of the net profits attributable to each Investor's capital account subject to a loss carryforward provision (sometimes referred to as a "high water mark") in each case (the "Incentive Allocation"). The General Partner, in its sole discretion, may waive or modify the Incentive Allocation for Investors that are members, employees or affiliates of the General Partner or Pavadi, relatives of such persons and for certain other Investors. As of the date of this Brochure, the Pavadi Healthcare Fund Incentive Allocation is being waived by its General Partner for all Investors in Pavadi Healthcare Fund. Performance-based compensation charged to the Pavadi Accounts is negotiated with respect to each Pavadi Account individually.

To the extent an Investor in a Fund effects a withdrawal other than at the end of a fiscal year, the relevant General Partner is entitled to receive an Incentive Allocation in connection with such withdrawal as if the date of such withdrawal were the end of a fiscal year with respect to the amount of such withdrawal.

The fees payable by the Pavadi Funds are deducted from the assets of the Pavadi Funds and paid to the Investment Manager or an affiliate or, in the case of the Incentive Allocation, are reallocated from the capital accounts of Pavadi Fund Investors and into the General Partner's capital account. Fees for the Pavadi Accounts are typically billed to the client and paid from the assets of the Pavadi Account.

It is critical that Investors and prospective Investors refer to their respective Fund's Governing Documents for a complete understanding of how fees are deducted from the Fund's assets. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund's Governing Documents.

In addition to the Management Fee and the Incentive Allocation payable to Pavadi or an affiliate, the Funds are expected to bear their own operating and other expenses as described below.

With respect to the Pavadi Funds, subject to certain limitations that vary as between the Pavadi Funds and any potential future Pavadi Funds, the Pavadi Funds shall generally bear all costs and expenses incurred in connection with their formation and organization. In addition, each of the Pavadi Funds shall bear all operating expenses and other costs of the respective Pavadi Fund including, but not limited to: (i) accounting, bookkeeping, tax and auditing fees and expenses (including the allocable share of the costs, fees and expenses relating to internal accounting and tax preparation functions); (ii) legal fees and expenses, including, but not limited to, fees and expenses incurred in connection with the Governing Documents, any offering of interests, Pavadi Fund contracts and investments; (iii) all fees and disbursements of the Pavadi Fund's, the General Partner's and the Investment Manager's attorneys, consultants and other third parties performing work benefiting the Pavadi Fund or otherwise in connection with the Pavadi Fund's investment activities (including, without limitation, the legal and other fees, costs and expenses of such parties in or related to any proxy contest or other shareholder initiative or proceeding and in any threatened or actual litigation or governmental investigation or proceeding, and the amount of any judgments or settlements paid in connection with such proxy contest, shareholder initiative or litigation, or fines or penalties levied as a result of any such investigation or proceeding); (iv) insurance and bonding costs (including, without limitation, directors' and officers' insurance, errors and omissions insurance, fiduciary insurance and other similar policies that may be obtained by the Investment Manager, the General Partner and/or the Pavadi Fund); (v) all trading expenses and transaction costs, including, but not limited to, brokerage commissions and expenses, clearing and settlement charges, interest on loans and debit balances, margin interest, broker service fees and other clearing and custodial expenses; (vi) fees or assessments in connection with any regulatory registrations, qualifications and/or approvals of the Pavadi

Fund, the General Partner or the Investment Manager and related compliance fees and expenses deemed appropriate by the General Partner; (vii) such research and portfolio management expenses as the General Partner or the Investment Manager deems appropriate, which may include, but are not limited to, expenses incurred in connection with due diligence investigations or research as to investments or potential investments, including travel, lodging and other expenses incurred in connection with visits to companies, meetings, research symposiums and communications with company management, security holders, analysts and other third parties, costs of research reports, data feeds and databases, news wires and quotation services, periodical subscription fees and costs of software (including risk control) utilized by the General Partner or the Investment Manager in connection with managing the Pavadi Fund's portfolio; (viii) fees of the Pavadi Fund's registered agent; (ix) fees of the administrator; (x) the cost of preparation and distribution of reports and statements to Investors; (xi) all filing and recording fees; (xii) all custodial fees, bank service fees, and fees or expenses associated with insuring the Pavadi Fund's assets; (xiii) the Management Fee; (xiv) all applicable federal, state, local and foreign taxes payable by the Pavadi Fund; and (xv) any extraordinary expenses, such as indemnification and litigation expenses. Costs and expenses born by Pavadi Accounts are negotiated with respect to each Pavadi Account individually.

Subject to the foregoing, the Investment Manager is generally expected to bear all fixed overhead expenses required for the administration of each Fund (other than such costs as are borne by a Fund as described above), as well as all costs that are not directly related to the investment activities of the applicable Fund but that are required for the administration of such Fund.

Please note that Investors are expected to indirectly incur brokerage and other transaction costs related to their investment in the Funds. Please see Item 12 of this brochure for a more detailed discussion of Pavadi's brokerage practices.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted in Item 5 above, Pavadi (or an affiliate) receives performance-based compensation from certain Funds and may receive performance-based compensation from future Funds. Please see Item 5 and the relevant Governing Documents for more details.

The General Partner of a Fund may waive some or all of its Incentive Allocation with respect to any Investor, including principals and employees of the Investment Manager or its affiliates. In this regard, the Incentive Allocation is typically reduced or not charged to Investors that are affiliates or employees of Pavadi. However, because affiliates or employees of Pavadi will invest through the Funds alongside the other Investors therein, Pavadi's ability to direct investments to their affiliates or employees is limited.

The possibility that Pavadi may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for the firm to make investments that are riskier or more speculative than in the absence of such performance-based compensation. Prior to investing, prospective Investors will be provided with clear disclosure as to how performance-based compensation is charged with respect to each Fund and the risks associated with such performance-based compensation.

The Pavadi Accounts and any additional separate account that Pavadi advises in the future may be set up for certain large or strategic Investors and may be subject to individually negotiated terms and, accordingly, may be subject to fee structures that are different from the fee structures of the other Funds. Such a discrepancy in the fee structures may create an incentive for Pavadi to allocate investment opportunities to a particular Fund based on the potential fees that may be earned by Pavadi and its affiliates with respect to each Fund. Additionally, it is possible that a Fund managed by Pavadi or its affiliates may invest in the same securities as another Fund. Pavadi and its affiliates intend to allocate investment opportunities in a fair and equitable manner among the Funds. This means that such opportunities will be allocated among

those Funds for which participation in the applicable opportunity is considered appropriate by Pavadi and its affiliates by applying such considerations as it deems appropriate, including relative size of such investment vehicles, accounts and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, investment objective and strategy considerations, including, without limitation, concentration parameters, tax considerations and other factors. As a result of such considerations, allocations among a particular Fund and one or more other Funds, while expected to be fair and equitable, will not necessarily be on a *pari passu* basis.

Although the Funds managed by Pavadi and its affiliates may generally invest in the same securities, the net performance of the Funds may vary materially from one another as a result of the allocation policies described above, as well as differing expenses, tax considerations, the impact of leverage and other factors.

Certain Funds managed by Pavadi that employ similar or substantially similar investment strategies may invest and trade on a *pari passu* basis; however, certain differences in the specific investment strategies employed (including applicable investment parameters, eligibility criteria with respect to various clients or Investors, applicable expenses, available capital, the relative use of leverage and other factors) (collectively, “Client Differences”) may result in non-*pari passu* treatment of specific Funds with respect to some or all of their investment and trading activities.

Pavadi may, from time to time in its discretion, be expected to adjust (or “rebalance”) the portfolio holdings of one or more of its Funds so as to eliminate or minimize variations among the portfolio holdings of such Funds that employ the same or similar investment strategies or otherwise to maintain, in the view of the Pavadi, a desirable portfolio composition for each of such Funds, subject to the applicable Client Differences. With respect to any rebalancing transactions, different broker-dealers will generally be used to effect buy orders, on one hand, and sell orders, on the other hand, in the same security. Rebalancing transactions will be effected at the next publicly quoted price on the trading day on which securities are rebalanced among clients. Rebalancing transactions may, or may not, be subject to commissions.

The foregoing summary does not purport to be complete and is qualified in its entirety by the detailed information contained in each Fund’s Governing Documents. Investors and prospective Investors are urged to carefully review the applicable Governing Documents prior to making a decision to invest in any of the Funds.

## **ITEM 7 – TYPES OF CLIENTS**

Pavadi provides, and intends to provide, investment advisory services to pooled investment vehicles operating as private investment funds and separately managed accounts. Each Investor in the Funds must meet the eligibility provisions outlined in the applicable Fund’s Governing Documents. Generally, the minimum initial capital commitment with respect to the Pavadi Funds is \$1,000,000, and the minimum additional capital commitment is \$100,000. These minimum commitment amounts are subject to reduction or waiver at the sole discretion of the General Partner of the applicable Pavadi Fund.

In the future, additional Pavadi Accounts may be set up for certain large or strategic Investors and may be subject to individually negotiated terms.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies.**

*The descriptions set forth in this Brochure of specific advisory services that Pavadi offers and expects to offer to clients, and the investment strategies pursued and investments made by Pavadi on behalf of its*



*clients, should not be understood to limit in any way Pavadi's investment activities. Pavadi may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Pavadi considers appropriate, subject to each Fund's investment objectives and guidelines. The investment strategies that Pavadi pursues are speculative and entail substantial risks, **including the risk of loss of the entire amount invested.***

The investment objective of the Funds is to compound capital by earning superior returns over time via a value-oriented investment strategy focused primarily on U.S.-listed equity securities of companies in the healthcare industry. The healthcare industry may include, but is not limited to, issuers in fields such as health insurance and managed care, healthcare services, hospital management, pharmaceuticals (innovative, specialty and generic), biotechnology, medical devices, medical equipment, diagnostics, and other related areas.

In seeking to achieve the Funds' objective, the Investment Manager will employ its significant healthcare industry experience in a process-driven and research-based value investing approach, as the Investment Manager believes that discipline is essential to executing a value-oriented investment strategy and producing superior returns over time. The Investment Manager believes there will be ongoing attractive investment opportunities in healthcare due to (i) organic growth driven by the aging demographics of the U.S. population, particularly as "Baby Boomers" age into their prime healthcare consumption years, (ii) the large and dynamic set of industry sub-sectors within the healthcare industry, which collectively comprise a significant amount of total U.S. GDP and (iii) the indispensable nature of healthcare products and services that are less prone to economic cycles.

The Investment Manager believes that a key determinant of value that can be captured by investors when purchasing securities in an effort to compound capital are the prices investors pay for those securities. The Investment Manager will seek to selectively purchase securities at low valuations, thereby exploiting potential discrepancies between market values and intrinsic values of the securities over time. To select investments for the Funds, the Investment Manager will generally employ a disciplined process in order to identify and ultimately invest in issuers that it believes have discounted valuations, strong free cash flows, solid balance sheets and attractive fundamentals. In general, it is anticipated that the Funds will have a concentrated portfolio typically consisting of approximately 30 or fewer positions, as the goal is to capitalize on only what the Investment Manager believes to be the best absolute and relative value investment opportunities available at any given time. Some positions may be held for years while others may be shorter-term opportunities.

The Investment Manager expects to actively manage the Funds' gross long exposure and risk metrics in an effort to compound capital. The Investment Manager expects less cash on hand and more gross long exposure when value investment opportunities appear more abundant to the Investment Manager and, conversely, more cash on hand and less gross long exposure when value investment opportunities appear more scarce to the Investment Manager. Regardless of its gross exposure or cash on hand at any given time, the Funds' risk will be managed according to concentration limits, liquidity and volume limits, return on investment limits and close monitoring of such performance and risk metrics as beta, alpha, volatility, correlation and Sharpe ratio.

The Investment Manager believes, based on past performance and extensive primary research, that a value-oriented approach employing process discipline to determine security selection is the most effective path for generating investment gains over the long term. Notwithstanding the foregoing, the Investment Manager will be authorized to engage in a broad variety of investment techniques in furtherance of the Funds' investment strategy including, but not limited to, those described above. Accordingly, such possible investment techniques to be utilized by the Funds will not necessarily be limited to those described herein, and the Investment Manager may make investments that do not meet the criteria set forth above and may

have fewer or a greater number of positions than articulated herein, based upon the Investment Manager's views of the investment landscape at the time, and from time to time.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies and Risks Associated with Particular Types of Securities.**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks Pavadi believes to be material, significant or unusual. For a more fulsome discussion, see the applicable Fund's Governing Documents.*

**Dependence upon the Principals of the Investment Manager/General Partner:** The success of the Funds critically depends upon the skills and efforts of Mr. Edelman and Dr. Sharon as the managing members of both the Investment Manager and each General Partner. In the event that Mr. Edelman and/or Dr. Sharon cease to be responsible for the Funds' investments for any reason, the operations of the Funds could be adversely affected.

**Market Volatility and Economic Instability:** The securities markets have been characterized by high degrees of volatility and unpredictability in recent years. In addition, the U.S. and other national economies have recently undergone significant disruptions, and future economic conditions are uncertain. Both market and economic conditions and events may be expected to have an impact (potentially adverse) on the profitability of the Funds.

**Substantial Withdrawals:** Substantial withdrawals by Investors within a short period of time could require the Investment Manager to arrange for the Funds' positions to be liquidated more rapidly than would otherwise be desirable, which could (i) adversely affect the value of the remaining Funds and their Investors or (ii) result in the Investment Manager or General Partner choosing to terminate a Fund. Generally, under the Governing Documents, the General Partner has the right to suspend withdrawals or to delay any withdrawal payment if it determines that the liquidation of investments necessary to fund such withdrawal would be detrimental to the remaining Investors. In addition, regardless of the period of time in which withdrawals occur, the resulting reduction in the Fund's assets could make it more difficult to generate positive returns or recoup losses due to a reduced equity base.

**Institutional Risk:** The institutions, including brokerage firms, banks and custodians with which the Funds do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Funds (including impairment resulting out of the loss of, or delay in the recovery of, the portfolio securities or other assets of the Funds). Brokers may trade with an exchange as a principal on behalf of the Funds in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such brokers could, therefore, have title to all of the assets of the Funds (for example, the transactions which the broker has entered into on behalf of the Funds as principal as well as the margin payments which the Funds provide). In the event of such a broker's insolvency, the transactions which the broker has entered into as principal could default and the Funds' assets could become part of the insolvent broker's assets, to the detriment of the Funds. Because securities owned directly by the Funds will generally not be held in the Funds' name and may not be held on a fiduciary basis or segregated from other assets of the prime broker or other broker dealers, a failure of a prime broker or another broker-dealer may put such securities at risk and is likely to have a greater adverse impact on the Funds than if such securities were registered in the Funds' name. In this regard, assets may be held in "street name" such that a default by the broker may cause the Funds' rights to be limited to that of an unsecured creditor.

**Custody Risk:** There are risks involved in dealing with the custodian who settles the Funds' trades. Certain Funds maintain accounts with Pershing LLC, their custodian (together, the "Custodian"). Although the

Investment Manager monitors the Custodian and believes that it is an appropriate custodian, there is no guarantee that the Custodian, or any other custodian that the Funds may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970, as amended, seek to protect customer property in the event of a bankruptcy, insolvency, failure or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the Funds' assets, the Funds would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets or both.

The Funds and/or the Custodian may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Funds. The Custodian may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodian. The Funds may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Funds. Under certain circumstances, including certain transactions where the Funds' assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Custodian, or where the Funds' assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Funds and hence the Funds could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency or mismanagement in certain non-U.S. jurisdictions, the ability of the Funds to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Funds may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Funds' rights to its assets in the case of a bankruptcy or insolvency of any such party.

**Alternative Investing Generally:** The Funds are designed for investors seeking potential long-term growth from alternative investments, who do not require regular current income and who can accept a high degree of risk in their investments. The Funds may be deemed speculative in nature and are not intended to be a comprehensive investment program. The Funds are intended for investment solely by sophisticated investors who are accustomed to and fully understand the risks of such investments.

There can be no assurance that the Funds will achieve their investment objective or that the Funds will ever be profitable. There can be no assurance that the Funds will not incur losses.

**Cybersecurity:** Pavadi and the Funds generally rely on information technology systems for current and planned operations. Information and technology systems of Pavadi may be vulnerable to damage and interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, Pavadi or the Funds may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect a Fund's investment results and its ability to make distributions to its partners. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Pavadi's and/or the Funds' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Pavadi or the Funds' reputation, subject them to legal claims and otherwise affect their business and financial performance.

**Pandemic Risk:** A local, regional, national or international outbreak of a contagious disease, including, but not limited to, COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or a fear of any of the foregoing, could adversely impact the Funds by causing significant disruptions in local and global economies thereby adversely impacting the value of the Funds' investments. It is unknown whether and how the values of the Funds' investments may be affected if such an epidemic persists for an extended period of time.

#### C. Risks of Particular Types of Securities Recommended by Pavadi.

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks Pavadi believes to be related to the particular types of securities recommended by Pavadi. For a more fulsome discussion, see the applicable Fund's Governing Documents.*

**General Investment Risk:** The Funds' investments will consist of securities identified by the Investment Manager's methodology. Since such strategy involves identifying securities which are generally undervalued by the marketplace, the success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur. The Funds' portfolio positions may undergo significant short term declines and experience considerable price volatility. Additionally, the Funds may take positions in smaller capitalization companies or other issuers which may involve an increased level of general investment risk. Equity positions may include speculative securities. Accordingly, Investors in the Funds must be prepared to assume the risks inherent in such speculative investments.

**Investment Risk:** An investment in the Funds is subject to investment risk, including the possible loss of the entire principal amount invested. There can be no assurance that the investments or investment techniques employed by the Funds will achieve the Funds' investment objective or that the Funds will ever be profitable. There can be no assurance that the Funds will not incur losses. An investment in the Funds should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible short-term volatility and fluctuations in value in the interest of seeking superior long-term capital appreciation.

**Healthcare and Related Risks:** The healthcare sector is subject to extensive government regulation. Changes in governmental policies may have a material effect on the demand for or costs of certain healthcare products and services and securities prices of healthcare companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse publicity associated with accompanying threatened litigation. In particular, healthcare reform, increasing emphasis on managed care and other continuing efforts by governments, insurance companies or other third-party payers to reduce the cost of healthcare, could negatively impact the profitability of healthcare-related companies. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns, and similar significant matters. As these factors impact the industry, the value of the Funds' interests may fluctuate significantly over relatively short periods of time.

Healthcare companies are frequently dependent upon private and governmental third-party sources of reimbursement for products and services provided to their customers. In addition to market and cost factors affecting the fee structures implemented by healthcare companies, numerous Medicare and Medicaid regulations, cost containment and utilization decisions of third-party payers and other payment factors over which the companies do not have control may affect the amount of payment that healthcare companies receive for their products and services. These third-party payers are increasingly challenging the prices charged for healthcare products and services and, in some cases, refusing payments for products and services they deem inappropriate.

Healthcare securities of smaller, research-orientated companies tend to be more volatile than the overall market. The medical device and drug development companies (biotechnology and pharmaceutical) in which the Funds may invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Only a limited number of healthcare companies have reached the point of approval of products by government regulatory bodies, such as the U.S. Federal Drug Administration and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the healthcare sector generally, and the biotechnology industry in particular, is often based upon expectations about future products, research progress and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many healthcare companies with proprietary platform technologies rely on patent protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. Patents have limited duration and, upon expiration, competitors may market substantially similar “generic” products which cost less to develop and may cause the original developer of a product or service to lose market share and/or reduce prices, resulting in lower profits for the original developer. In addition, there can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so. Conversely, other companies may make infringement claims against a company in which the Funds invests, which could have a material adverse effect on such company.

**Lack of Diversification/Portfolio Concentration:** It is anticipated that the Funds’ portfolio will be invested primarily in securities of issuers in the healthcare field. Accordingly, the Funds’ portfolio will not be diversified among industries or types of securities. Further, the Funds’ portfolio may not be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

**Equity Risks:** The Funds will invest in common stocks or their equivalents. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity securities of issuers whose performance diverges from the Investment Manager’s expectations.

**Price Volatility:** Stocks are inherently volatile. Such volatility may result in the value of the Funds’ assets fluctuating from time to time more greatly than that of other investment vehicles which may be more diversified. There can be no assurance that the Investment Manager’s investment strategy or other investment strategies or techniques will be effective in protecting the Funds from such price volatility.

**Small-to-Medium Capitalization Companies:** The Funds may invest a portion of their assets in the stocks of companies with small-to medium-sized market capitalizations. While the Investment Manager believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

**Leverage, Interest Rates, Margin:** The Investment Manager may utilize leverage, on behalf of the Funds, as the Investment Manager considers appropriate, primarily for investment purposes to increase investment positions or to make additional investments. While leverage presents opportunities for increasing the Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, could be magnified to the extent that leverage is employed. The effect of the use of leverage by the Funds in a market that moves adversely to the investments of the entity employing the leverage, could result in a loss to the Funds that would be greater than if leverage were not employed by the Funds. In addition, to the extent that the Funds borrows funds, the interest cost at which the Funds can borrow will affect the operating results of the Funds.

The use of short-term margin borrowings by the Funds may result in certain additional risks to the Funds. For example, should the securities that are pledged to brokers to secure the Funds' margin accounts decline in value, or should brokers from which the Funds has borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The broker will typically have the right to liquidate the Funds' portfolio in certain circumstances. In the event of a precipitous drop in the value of the assets of the Funds, the Funds might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices.

**Securities of Companies with Foreign-Based Operations:** The Investment Manager may invest in the securities of issuers with a significant portion of their business and operations in, or a significant portion of their revenues from locations outside the U.S. and therefore will be impacted by conditions in locations outside the U.S. Investing in such securities involves additional considerations and risks beyond those typically involved in investing in U.S. companies, including the instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (for example, the imposition of withholding taxes on dividends, interest payments or capital gains) or confiscatory taxation may also affect investments in foreign securities. Investments in foreign countries could be affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

**Transaction Execution and Costs, Brokerage Allocation:** In many cases relatively narrow spreads may exist between the prices at which the Funds will purchase and sell particular positions. The successful application of the Funds' methodology will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Investment Manager will seek to utilize brokerage firms which will afford superior execution capability to the Funds, there is no assurance that all of the Funds' transactions will be executed with optimal quality. In addition to seeking broker-dealers with superior execution capability, the Investment Manager may allocate transactions to brokers which agree to pay all or a part of certain research-related expenses of the Funds, the Investment Manager and/or its affiliates, or so-called "soft dollar" arrangements. Although the Investment Manager will, in general, seek such arrangements only where it believes the same will be consistent with principles of best execution, such soft dollar arrangements may result in increased commission costs or other inefficiencies in execution. There can be no assurance that the Investment Manager will be successful in seeking to reduce the expenses of the Funds through satisfactory soft dollar arrangements or that such arrangements will not result in increased transaction costs or otherwise impact the Funds. Pavadi does not currently aggregate Fund orders, which could result in achieved price discrepancies that are unfair to one or more Funds.

**Overall Investment Risk:** All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Funds and the investment techniques and strategies to be employed by the Investment Manager may increase this risk. Many unforeseeable events, including, but not limited to, actions by various government agencies, such as the Federal Reserve Board, and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the Funds.

There can be no assurance that the investments or investment techniques employed by the Funds will achieve the Funds' investment objective or that the Funds will ever be profitable. There can be no assurance that the Funds will not incur losses.

It is critical that Investors and prospective Investors refer to the respective Fund's Governing Documents for a complete understanding of the material risks involved in relation to the types of securities Pavadi invests in on behalf of the Funds. The information contained herein is a summary only and is qualified in its entirety by the relevant Governing Documents.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Pavadi and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an Investor's evaluation of Pavadi or its personnel.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Pavadi serves or expects to serve as the Investment Manager and adviser to the Funds, and affiliates of Pavadi serve or expect to serve as the General Partner to certain of the Funds. Pavadi, its affiliates, employees and/or their related persons may invest directly in the Funds. It should be noted that investments in the Funds made by such persons may not be subject to the fees paid by other Investors.

There are also a number of other potential or actual conflicts of interest between and among the Investment Manager, the Funds, the General Partners, Mr. Edelman and Dr. Sharon. Among those that each prospective Investor should consider are the following:

**Other Investment Vehicles or Clients:** The Investment Manager and their affiliates, including Mr. Edelman and Dr. Sharon, will devote such of its time and effort during normal business days and hours as it deems necessary and sufficient to achieve the Funds' investment objective. The Investment Manager and their affiliates, including Mr. Edelman and Dr. Sharon, may participate in or sponsor other investment vehicles and possibly have additional advisory accounts or clients in the future, such as separately managed accounts. Such investment vehicles and accounts may employ investment strategies similar to, or different from, that of the Funds. The Investment Manager and their affiliates, including Mr. Edelman and Dr. Sharon, may also determine to engage in other businesses. The existence of such present and future multiple investment vehicles, accounts and/or clients or other businesses, necessarily creates certain conflicts of interest.

The existence of multiple investment vehicles, accounts and/or clients may also create conflicts as to time and resource commitments on the part of the Investment Manager's personnel (including Mr. Edelman and Dr. Sharon). While Mr. Edelman and Dr. Sharon will devote such of their time and effort during normal business days and hours as they deem necessary and sufficient to achieve the Funds' investment objective, they may have other responsibilities which could have the effect of reducing the time they devote to the investment activities of the Funds. In this regard, Mr. Edelman and Dr. Sharon may occasionally spend limited time on discrete tasks related to their former roles as principals of Symphony Capital LLC's 2004-vintage healthcare-focused private equity funds, which were wound down in 2017.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pavadi has adopted a Code of Ethics (the “Code”) designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (“Advisers Act”). The Code applies to Pavadi’s access persons (which term includes, but may not be limited to, all employees of Pavadi) (the “Access Persons”) and sets forth a standard of business conduct that takes into account Pavadi’s status as a fiduciary and requires Access Persons to place the interests of Funds and Investors above their own interests. The Code requires Access Persons to comply with applicable federal securities laws and to promptly bring violations of the Code to the attention of Pavadi’s Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.

As required by Rule 204A-1 of the Advisers Act, and as further discussed below, the Code also sets forth certain restrictions, reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must also provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1.

Personal transactions of Access Persons must be made strictly in accordance with the Code. Subject to Pavadi’s internal compliance policies and approval procedures, Access Persons are generally only allowed to invest in securities that are not contained on Pavadi’s restricted list.

Personal securities transactions by Access Persons will be reviewed in the best interests of the Funds and will be denied by the Chief Compliance Officer if there is a potential conflict and/or risk of potential adverse consequences to the Funds. The Chief Compliance Officer will review Access Persons’ personal transaction reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

The Code requires Access Persons to place the interests of Funds and Investors over their own or those of Pavadi, and all Access Persons will be required to acknowledge their receipt and understanding of the Code initially upon their employment and on an annual basis thereafter.

Further, the Code includes policies and procedures designed to prevent insider trading and facilitate the protection of material, non-public information, including non-public information about the activities of the Funds. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer, Jeffrey Edelman, at (212) 632-5404 or via email at [jeff@pavadi.com](mailto:jeff@pavadi.com).

As described in Item 10, Pavadi serves or expects to serve as the Investment Manager and adviser of the Funds and, as such, recommends or expects to recommend interests/shares of the Funds to prospective Investors. In addition, affiliates of Pavadi serve as the General Partner to certain of the Funds. Pavadi and such General Partner entities have a material financial interest with respect to fees paid by Investors.

Pavadi may, from time to time, recommend a security in which Pavadi or one of Pavadi’s related persons, directly or indirectly, has an interest. For instance, it may be expected that Pavadi Account assets will be invested in securities of issuers in which one or more other Pavadi Accounts or Pavadi Funds hold positions. In addition, Pavadi Fund assets may be invested in securities of issuers in which one or more other Pavadi Funds or Pavadi Accounts hold positions. Given the likely frequency of such occurrence, clients will not be provided with notification of such occurrences. This may represent a conflict of interest for Pavadi, as described in Item 6.



The fact that Pavadi, its affiliates and the Access Persons may each have financial ownership interests in the Funds creates a potential conflict in that it could cause Pavadi to make different investment decisions than if such parties did not have such financial ownership interests. In particular, the possibility that Pavadi may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for the firm to make investments that are riskier or more speculative than in the absence of such a performance-based fee.

## **ITEM 12 – BROKERAGE PRACTICES**

Pavadi expects to have complete discretion in deciding what brokers and dealers are used by certain of the Funds and in negotiating the rates of brokerage commissions and other compensation paid by such Funds. Pavadi expects to allocate investment transactions for such Funds to brokers and dealers on the basis of “best execution.” In determining best execution, Pavadi may take into account the full range and quality of a broker-dealer’s services that benefit an account under management such as brokerage, research and other services.

Pavadi does not and does not expect to select brokers solely on the basis of lowest possible commission costs but also considers the best qualitative execution in its selection criteria. In particular, in selecting broker-dealers to execute securities transactions, Pavadi will not be obligated to solicit competitive bids and will not have an obligation to seek the lowest available commission cost or spread. Consistent with best execution, consideration is expected to be given to a variety of factors, including, but not limited to, price quotes; the size of the transaction and ability to find liquidity; the broker-dealer’s promptness of execution; confidentiality considerations; the nature of the market for the financial instrument; the timing of the transaction; difficulty of execution; the broker-dealer’s expertise in the specific financial instrument or sector in which the Funds seek to trade; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to such markets; the broker-dealer’s skill in positioning the financial instrument involved; the broker-dealer’s financial stability; reputation for diligence, fairness and integrity; quality of service rendered by the broker-dealer in other transactions for Pavadi; the quality and usefulness of research services and investment ideas presented by the broker-dealer or third parties; the broker-dealer’s willingness to correct errors; the broker-dealer’s ability to accommodate any special execution or order handling requirements that may surround the particular transaction; the broker-dealer’s provision or payment of the costs of brokerage and research services that are of benefit to the Funds or to Pavadi; and other factors deemed appropriate by Pavadi.

Brokerage and research-related goods and services provided by brokers and dealers through which investment transactions for the Funds will be executed, settled and cleared may include, but are not limited to, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, certain research services, and other goods and services providing lawful and appropriate assistance to Pavadi in the performance of its investment decision-making responsibilities on behalf of the Funds (collectively “Soft Dollar Items”).

Soft Dollar Items may be provided directly by brokers and dealers, by third parties at the direction of brokers and dealers or purchased on behalf of the Funds with credits or rebates provided by brokers and dealers. Soft Dollar Items may arise from over-the-counter principal transactions, as well as from exchange-traded agency transactions. Brokers and dealers occasionally suggest a level of business they would like to receive in return for the various services they provide. Actual business received by any broker or dealer may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total transaction volume is allocated on the basis of all the considerations described above. A broker or dealer will not be excluded from executing transactions for the Funds because it has not been identified as providing Soft Dollar Items. Although Pavadi will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker,

commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable (i.e., the Funds may “pay up” for research and other services provided by the broker through the commission rate).

The use of commissions or “soft dollars,” if any, generated by the Funds through agency and certain riskless principal transactions to pay for brokerage- and research-related products or services, if any, is expected to fall within the safe harbor created by Section 28(e) of the Exchange Act. Brokerage and research-related products or services obtained with soft dollars generated by a particular Fund may be used by Pavadi to service any of the Funds. Soft dollars generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) do not generally fall within the safe harbor created by Section 28(e) and will be utilized only with respect to brokerage- and research-related products and services for the benefit of the account generating such soft dollars.

Using brokerage commissions to obtain research or other products or services is expected to provide Pavadi with a benefit because the firm will not have to produce or pay for such research, products or services. Accordingly, the Funds (and thus, Investors) may be deemed to be paying for research and other products or services with “soft” or commission dollars. Pavadi will have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on a Fund’s interest in receiving most favorable execution. The relationship with brokerage firms that provide soft dollar services to Pavadi may influence Pavadi’s judgment in allocating brokerage business and will create a conflict of interest in using the services of those broker-dealers to execute the Funds’ brokerage transactions.

Pavadi will periodically review the execution performance of broker-dealers executing its clients’ transactions to make a good faith determination that the value of research and brokerage services received is reasonable in relation to the amount of commissions paid.

From time to time prime brokers may assist the Funds in raising additional investments from Investors and prospective Investors, and representatives of Pavadi may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such “capital introduction” events, prospective Investors in the Funds would have the opportunity to meet with Pavadi. Additionally, prime brokers may provide certain consulting services to Pavadi. None of Pavadi or the Funds expects to compensate any broker for organizing such events, for any investments ultimately made by prospective Investors attending such events or for any such consulting services. While such events and other services provided by a prime broker may influence Pavadi in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, Pavadi will not commit to allocate a particular amount of brokerage to a broker in any such situation. In such instances, the broker selection will be consistent with Pavadi’s best execution analysis.

Pavadi expects to have complete discretion in deciding what brokers and dealers certain of the Funds will use and in negotiating the rates of compensation such Funds will pay. Pavadi does not expect to be committed to continue its prime brokerage relationships in respect of such Funds with any particular prime brokers for any minimum period, and Pavadi may select other or additional brokers to act as prime broker for such Funds. As outlined above, Pavadi allocates investment transactions for such Funds to brokers and dealers on the basis of “best execution.”

Pavadi does not currently aggregate Fund orders but takes care to ensure that each individual Fund order is handled in a manner that is designed to ensure that Funds are treated equitably and fairly over time and that no Fund is systematically disadvantaged. Pavadi’s order entry procedures are designed to mitigate any potential for material discrepancies in achieved prices between and among Fund accounts. These procedures are reviewed regularly as part of Pavadi’s best execution review process, including an analysis

of any discrepancies in achieved prices and the resultant benefit or detriment experienced by Funds relative to aggregate dollar volumes traded. When appropriate, Pavadi may, but is not required to, aggregate Fund orders to achieve more efficient execution or to provide for equitable treatment among accounts. Funds participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

It is Pavadi's policy to allocate investment opportunities among Funds in a fair and equitable manner. Such opportunities will be allocated among those Funds for which participation in the respective opportunity is considered appropriate by Pavadi and its affiliates by applying such considerations as it deems appropriate, including relative size of such investment vehicles, accounts and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, investment objective and strategy considerations, including, without limitation, concentration parameters, tax considerations and other factors. As a result of such considerations, allocations among a particular Fund and one or more other Funds, while expected to be fair and equitable, will not necessarily be on a *pari passu* basis.

The Funds intend to follow a substantively similar investment program and will generally participate in investments on a *pro rata* basis subject to tax, legal, regulatory, current and expected cash balances and other considerations, and consequently their respective performances may differ.

### **ITEM 13 – REVIEW OF ACCOUNTS**

The Funds' portfolios are under continuous review and their performance is analyzed on a daily basis by Pavadi's investment team. It will generally be the responsibility of Pavadi's Managing Members to take affirmative steps to ensure that all trades in a Fund's account are in line with such Fund's investment objectives and guidelines.

Further, Jeffrey Edelman, in his capacity as Chief Compliance Officer, periodically reviews the firm's trading and current practices to ensure consistency with applicable law and regulations.

Generally, it is expected that within 90 days after the end of each fiscal year or as soon as reasonably practicable thereafter, each Investor will receive the relevant Fund's audited financial statements. Each Investor will also receive monthly unaudited statements setting forth the net asset value of such Investor's capital account or shares of the applicable Fund.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable to Pavadi.

### **ITEM 15 – CUSTODY**

Pavadi and the applicable General Partner may be deemed to have custody of the assets of the Funds it advises by virtue of their respective status as the Investment Manager or General Partner. To the extent that Pavadi is deemed to be subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), Pavadi and such General Partner entities will maintain the assets of the affected Funds in accounts with "qualified custodians" pursuant to the Custody Rule. The qualified custodians are disclosed on Pavadi's Form ADV Part 1. Each Fund for which Pavadi has custody will be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), and will distribute its audited financial statements to all Investors within 120 days of the end of its fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt.

To the extent that Pavadi advises any Pavadi Accounts for which it is deemed to have custody, Pavadi will ensure that such Pavadi Accounts undergo a “surprise” examination performed by an independent public accountant that is registered with, and subject to regular inspection by, the PCAOB at least annually.

#### **ITEM 16 – INVESTMENT DISCRETION**

Pavadi has discretionary authority to manage the Funds, subject to certain limitations that are expected to vary across the Funds. Subject to such limitations, Pavadi expects to be authorized to make purchase and sale decisions for the Funds. Individual Investors in the Funds are not expected to have the ability to impose limitations on Pavadi’s discretionary authority.

It is critical that Investors and prospective Investors refer to the relevant Fund’s Governing Documents for a complete understanding of the terms and conditions of investments therein.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

Pavadi expects to have the authority to vote proxies relating to securities of issuers in which certain of the Funds are invested. Pavadi will determine how to vote after studying proxy materials and any other information that Pavadi deems to be germane to its decision as to how to exercise its vote. All proxies sent to the Funds and actually received by Pavadi will be provided to the Chief Compliance Officer. Prior to voting any proxies, the Chief Compliance Officer will determine which of the Funds hold the security to which the proxy relates and whether any material conflict of interests exist between Pavadi and the Funds with respect to such proxy vote. If the Chief Compliance Officer determines that no such material conflict of interests exists, the Chief Compliance Officer will so advise a Managing Member, and the Managing Member will decide how to vote the proxy, which may be in consultation with other investment team members. If the Chief Compliance Officer determines that such a material conflict of interest does exist, the Chief Compliance Officer will convene a meeting with the Managing Members to assess the conflict and determine how to vote the applicable proxies. In all instances, Pavadi will endeavor to vote in a manner that it believes is in the best interest of the Funds and is consistent with the investment philosophy as set forth in the relevant Governing Documents and in accordance with its compliance procedures.

Generally, the Chief Compliance Officer is responsible for ensuring that the proxy is voted on and submitted in a timely manner. Pavadi will keep a record of its proxy voting policies and procedures, proxy statements received, votes cast, communications received and any internal documents created that were material to voting decisions along with each client request for proxy voting records and Pavadi’s response thereto, in all cases, for the previous five years.

If you have any questions about Pavadi’s proxy policy, its proxy record-keeping procedures or if you would like any further information about how proxies are voted, please contact the Chief Compliance Officer, Jeffrey Edelman, via email at [jeff@pavadi.com](mailto:jeff@pavadi.com).

#### **ITEM 18 – FINANCIAL INFORMATION**

Pavadi does not require or solicit prepayments of fees from Investors six months or more in advance.

Pavadi is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

Pavadi has not been the subject of a bankruptcy petition at any time during the past 10 years.