RISK FACTORS AND CONSIDERATIONS

There is a high risk associated with your participation in any of the GAIN Investments, and a GAIN Investment should only be made after consultation with independent professional legal and tax advisors. The following risks, among others, should be considered in determining the suitability of your participation in any GAIN Investment:

Limited Scope; No Operating History

GAIN is a part-time endeavor set up for the convenience of its members (the “Members”) to foster camaraderie within the Georgetown alumni community and to give alumni entrepreneurs potential access to capital for their ventures. GAIN is not a full-time for-profit venture and should not be viewed as a venture capital fund or other full-time investment enterprise. GAIN merely makes prospective investment opportunities (“Investments”) available to its Members; it does not thoroughly analyze such opportunities, recommend any particular investments, or monitor, influence or control any of its Investments after one or more Members have participated in such Investments.

GAIN’s invitation to a company to present to GAIN members as a prospective Investment is not conclusive of whether such prospective Investment is suitable for any GAIN Member. Suitability can be determined only by the Member and then only after discussion with the Member’s tax, legal and investment advisers.

GAIN is also newly formed and therefore has no operating history to report to Members. While some of the founding GAIN Board members have made investments in private companies, these investments may not be representative of the investments that GAIN might make available to its Members. There can be no assurance that GAIN will achieve its operational or investment objectives or that its Investments will avoid substantial losses or that GAIN Members will receive a return of their invested capital.

Identifying Investor Opportunities

The task of identifying investment opportunities that might generate a significant return for the Members is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize on such investments successfully. There is no assurance that GAIN’s Investments will be able to return contributed capital or generate returns for the Members.

No assurance can be given that GAIN will be able to identify target investments that satisfy GAIN’s or its Members’ investment objectives, or if GAIN is successful in identifying such investments, that Members Will be permitted to invest, or invest in the amounts desired, in such investments.

Risk of Loss

Each of the GAIN Investments involves a high degree of risk, including the risk that the entire amount invested may be lost. Venture capital has been described as a “hits” industry, in which investment returns are driven by a small number of investments that provide extraordinary returns. Should GAIN not be able to identify any “hit” investments or if you choose not to participate in a “hit” investment, then the risk of material or total loss of capital from your participation in GAIN will be very high.

Concentration

Given the high risk of failure for any individual venture capital investment, successful venture capital investors typically diversify among many early stage investments in order to maximize the chances of achieving attractive returns. Even with many such investments, however, the risk of losing most or all of one’s capital is significant. GAIN may not find a significant number of companies to present for
prospective investment and/or an individual Member may choose to participate in a limited number of GAIN Investments. As a result, a Member’s investments through GAIN may be concentrated in a relatively small number of holdings and may not maximize the chances of achieving the desired investment returns.

**Follow-On Investments**

Some of the GAIN Investments may pursue follow-on operating company financings in which Members may not have the opportunity to participate, thereby causing dilution in the Members’ existing ownership interests. Or, the Members may be given the opportunity to participate, which would require further capital investment to maintain such Members’ pro-rata ownership level, with such additional capital at risk of loss. Moreover, such follow-on financings may take place at implicit valuations lower than the valuations implicit in preceding rounds of financing, which would exacerbate the potential for Member dilution. Legal disputes, involving a portfolio company and its shareholders and affiliates, may arise from such financings and could have a significant adverse effect on GAIN Members who participated in such Investment.

**Valuations**

Valuations of early stage and technology-based companies are inherently uncertain, and it is difficult to determine if or when a market or other correction may enhance or depress the valuations of such companies. The age of the “Unicorn” (the venture capital backed company with a $1.0 billion+ valuation) has come but faces several challenges. Valuations in the “Unicorn” era are now widely considered to have been inflated. Investors in “Unicorn” enterprises expected unsustainable increasing valuations, skewing the incentives for the venture capital-backed founders. Additionally, when early stage and technology-based companies attract the attention of investors outside of venture capital (such as large mutual fund complexes like Fidelity), these non-traditional venture capital investors can be less concerned about the price they may have to pay for an investment in these companies, which can further drive valuations significantly upward and higher than valuations that are otherwise reasonable or appropriate. The valuations of GAIN’s early stage and technology-based Investment May differ materially from their actual valuations upon liquidation.

**Limited Due Diligence**

The due diligence process that GAIN undertakes in connection with a prospective investment is very limited, is not likely to reveal all facts (including fraud) that may be relevant in connection with such prospective investment, and in any event should not be relied upon by GAIN Members in formulating a decision whether or not to participate in such prospective investment. Moreover, such an investigation will not necessarily result in the Investment being successful.

**Illiquid Investments**

GAIN Members Will make investments in relatively high-risk, illiquid assets, and they may fail to realize any profits from these activities for a considerable period of time or lose some or all of their principal. The securities of any Investments are not likely to be publicly traded. Members Will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available. Members may be required to hold their ownership stake in a particular Investment for an indefinite period of time.

**Lack of Oversight and Control**
GAIN will not directly or indirectly participate in the management of any of the Investments, nor will GAIN provide any ongoing oversight or monitoring of such Investments. Investments will include equity securities of companies that neither GAIN nor the Members control. Those Investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which GAIN and the Members does not agree, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve GAIN’s or the Members’ interests. If any of the foregoing were to occur, the values of Investments could decrease.

**Risk Factors Applicable to Venture Capital Investing**

Many venture capital investments are made at an early point in the company’s life cycle. These “early stage” or “seed” investments can create value inherent in particular companies or situations that can be realized only with substantial effort or expense. Often the success of the investment will depend not only on the efforts of the manager, but also upon actions of other key individuals, or extraneous factors including political or economic developments over which the manager has little or no control.

The very significant returns that have been earned in a small portion of venture capital investments have in large part resulted from the completion of highly successful IPOs or acquisitions that have permitted the venture investors to sell their equity interests at multiples of original cost. There can, of course, be no assurance that, at the time a given venture investment matures, the public securities markets will support an initial public offering to permit such returns or that the venture-backed company’s fundamentals will warrant such returns.

Venture capital investments are typically made in firms that are seeking to develop and bring to market new, unproven technology. This endeavor is subject to a number of risks, including: failure to develop or perfect the technology as planned; obsolescence; patent infringement and similar claims that prevent the technology from being used or licensed; lack of market acceptance of the technology; and loss of key personnel. Such early stage companies are typically thinly staffed, and may lack the internal resources or procedures and controls to detect and prevent accounting errors, or more serious losses caused by the misconduct or negligence of officers, employees or agents. The success of investments in unproven technology may depend upon the ability of the underlying portfolio companies to protect their intellectual property through patents, trade secrets or otherwise. The performance of the Investments could be negatively impacted by the inability of portfolio companies to protect their intellectual property. There can be no assurance that patents of portfolio companies will adequately protect against competition, and will not be challenged or invalidated. Nor can there be any assurance that the portfolio companies will be able to obtain additional patents needed to fully execute their respective business plans. Despite management practice designed to protect trade secrets, portfolio companies may be unable to adequately protect them, which could lead to the underperformance of the portfolio company.