

Kelso & Company, L.P.

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February 14, 2012

**This Brochure provides information about the qualifications and business practices of Kelso & Company, L.P. (together with any predecessor entity, the “Adviser,” “we,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at (212) 751-3939. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.**

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

## **Item 2 – Material Changes**

In the future, this Item 2 will discuss specific material changes that we make to the Brochure.

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## **Item 4 – Advisory Business**

### ***Generally***

The Adviser was established in 1971. It provides investment advisory services to privately-offered funds that focus primarily on private equity investments, as described below. The Adviser is a Delaware limited partnership.

The Adviser's history as a service provider to company owners and management teams coupled with the stability of its professional staff has led to an investing culture focused on working in partnership with management teams. The Adviser has consistently executed transactions that feature broad ownership and significant equity incentive programs for senior management. The Adviser believes that this philosophy of partnering with management is an important component of the success of its portfolio companies.

### ***Principal Owners***

The Adviser is principally owned and controlled by its general partner, Kelso & Companies, Inc. Kelso & Companies, Inc. is principally owned by its majority shareholder, Frank T. Nickell.

The day-to-day affairs of the Adviser are generally managed by Frank T. Nickell, Thomas R. Wall, IV, George E. Matelich, Michael B. Goldberg, David I. Wahrhaftig, Frank K. Bynum, Jr., Philip E. Berney, Frank J. Loverro, James J. Connors, II, Church M. Moore, Stanley de J. Osborne, Christopher L. Collins and Lynn Alexander.

### ***Advisory Services***

The Adviser provides investment advisory services to privately offered funds, which are, investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended. The Adviser currently serves as the investment manager for Kelso Investment Associates VII, L.P. and Kelso Investment Associates VIII, L.P. (the "Primary Funds"), as well as certain related investment vehicles described below. The investment strategy of the Adviser is described in Item 8 below and set forth more fully in the private placement memoranda (as supplemented or amended, the "Private Placement Memoranda") of each Primary Fund. The Adviser provides services to each Primary Fund in accordance with the limited partnership or similar governing agreement of such Primary Fund (each, a "Partnership Agreement") and the management agreement between the Adviser and such Primary Fund (each, a "Management Agreement"). The Adviser's investment advice to the Primary Funds and to certain other Funds (described below) that are related to the Primary Funds, is limited to the type of advice described in this Brochure.

## ***Fund Structure***

As a general matter the Primary Funds are managed by the Adviser, which investigates, analyzes, structures and negotiates potential investments. The Adviser has general authority to recommend investments to the general partner of each Primary Fund (the “General Partners”), subject to the limitations set forth in the Management Agreements and Partnership Agreements of the Primary Funds. The management and the conduct of the activities of each Primary Fund remain the ultimate responsibility of such Primary Fund’s General Partner. The General Partner of each Primary Fund is an affiliate of the Adviser.

The Adviser may establish additional vehicles to allow certain persons to invest alongside a Primary Fund in a particular investment opportunity (each such vehicle, a “Co-Investment Fund”). One such Co-Investment Fund, KEP VI, LLC, a Delaware limited liability company (together with its related vehicles, the “Employee Co-Investment Fund”), provides the Adviser’s employees with the opportunity to invest alongside each Primary Fund. In addition to the 5% co-investment described in Item 6, the Employee Co-Investment Fund may elect each year to participate in all investments made by the applicable Primary Fund during such year in a fixed amount not to exceed 20% of the total invested by the Primary Funds and the other Co-Investment Funds. As a general matter, any co-investment by a Co-Investment Fund will be on terms and conditions not more favorable than the terms and conditions of the investment by the applicable Primary Fund.

Additionally, the Adviser (and its related persons) may organize and serve as a general partner (or in an analogous capacity) of certain investment vehicles which are “feeder” vehicles (each, a “Feeder Fund”) organized to invest exclusively in a Primary Fund, and alternative investment vehicles (each, an “Alternative Investment Vehicle”) organized in connection with the Primary Funds to address specific tax, legal, business, accounting, regulatory or other similar matters that may arise in connection with a transaction or transactions.

The Primary Funds, Co-Investment Funds (including the Employee Co-Investment Fund), Feeder Funds and Alternative Investment Vehicles are collectively referred to as the “Funds.”

The general partners and other managing entities of the Funds described above are collectively referred to as the “General Partners” in this Brochure. The limited partners, investors and members of the Funds described above are collectively referred to as “Limited Partners” in this Brochure.

### ***Investment Restrictions***

The advice provided by the Adviser and its affiliates to each Fund is tailored to meet the individual investment objectives and restrictions of each Fund. Each Partnership Agreement contains or incorporates by reference restrictions on investing in certain securities or types of securities.

### ***Management of Client Assets***

As of December 31, 2011, the Adviser managed \$7,687,028,401 of client assets on a discretionary basis and no client assets on a nondiscretionary basis.

## **Item 5 – Fees and Compensation**

### ***Adviser Compensation***

The Adviser is paid an annual management fee (the “Management Fee”) in accordance with the Partnership Agreement and Management Agreement of each Primary Fund, a portion of which may be borne by Alternative Investment Vehicles formed in connection with certain transactions of such Primary Fund. The Management Fee is payable to the Adviser in tri-annual installments in advance, funded by drawdowns of unfunded capital commitments of the Limited Partners or out of distributable proceeds and gains of the Primary Funds, in each case in accordance with each Primary Fund’s Partnership Agreement.

The Management Fee for each Primary Fund is generally calculated as a percentage of capital commitments of the Limited Partners to such Primary Fund through the end of such Primary Fund’s investment period. Thereafter, the Management Fee is generally calculated as a percentage of funded capital commitments that remain invested in such Primary Fund’s portfolio companies. Co-Investment Funds generally do not pay Management Fees.

The Management Fee calculated with respect to each Limited Partner is typically subject to reduction for certain amounts, including: (a) such Limited Partner’s *pro rata* share of any placement fees paid or payable by the Fund in such calendar year (with the result that placement fees are borne by the Adviser); (b) such Limited Partner’s *pro rata* share of a percentage (specified in the relevant Partnership Agreement) of director’s fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees received in the previous calendar year by the Adviser in respect of the Primary Fund’s investments (collectively, the “Fees”); and (c) such Limited Partner’s *pro rata* share of any Organizational Expenses (defined in “Additional Fees and Expenses” below) that were paid by the Primary Fund in the previous calendar year and that exceed the threshold set forth in the respective Partnership Agreement. For purposes

of the preceding sentence, a Limited Partner's *pro rata* share is based on the aggregate capital commitments of the Limited Partners to such applicable Primary Fund.

The Management Agreements of the Funds generally provide that upon termination of the Management Agreement, the Adviser shall repay to the Fund or to a replacement manager, as directed by the Fund's General Partner, the unearned portion (computed on the basis of the number of days elapsed), if any, of any Management Fees previously paid to the Adviser.

Certain related persons of the Adviser also receive a "carried interest" (a form of performance-based compensation), as discussed in Item 6. Engagement by the Adviser of a financial intermediary, such as a broker dealer, and any commissions paid in connection with Fund investments are discussed in Item 12.

### ***Additional Fees and Expenses***

In addition to the Management Fee and carried interest, the Funds (and indirectly their Limited Partners) bear (to the extent not reimbursed by a portfolio company or other third party) certain costs and expenses incurred by the Adviser and/or its affiliates in connection with the operation of the Funds. These costs and expenses generally include: fees and expenses related to consummated portfolio investments, proposed but unconsummated investments, guarantees or indebtedness including related interest charges and temporary investments, as well as any costs and expenses related to the evaluation, acquisition, disposition and holding of all such investments; insurance premiums protecting the Funds and their affiliates from liabilities in connection with Fund affairs; legal, custodial, accounting, auditing, appraisal and consulting fees; expenses related to organizing companies through which portfolio investments are made; taxes or other governmental charges payable by the Funds; reimbursement of expenses of the advisory committee; damages related to investments or activities undertaken in connection with the Funds; costs of reporting to Limited Partners; costs related to a defaulting Limited Partner and expenses in winding up or liquidating the Fund.

The Funds also bear all costs in connection with their formation and organization, and the offering of interests in the Funds (collectively, the "Organizational Expenses"), provided that, to the extent that these fees and expenses exceed the threshold set forth in the relevant Partnership Agreement, such excess will be borne by the Adviser. In addition, the Adviser will ultimately bear all fees of any placement agent for the Funds (as described in "Adviser Compensation" above).

All Fund expenses are allocated in accordance with each Fund's Partnership Agreement. The Adviser's Chief Financial Officer must approve all Fund expenses to ensure that the expenses are allocated in accordance with the applicable Partnership Agreement.



Except as set forth above, the Funds will not pay the Adviser's costs and expenses. Thus, the Adviser is not reimbursed by the Funds for its normal operating overhead, salaries of the Adviser's employees, rent and other expenses incurred in maintaining the Adviser's place of business.

#### **Item 6 – Performance-Based Fees and Side-by-Side Management**

Pursuant to the Partnership Agreement of each Primary Fund, the applicable General Partner (a related person of the Adviser) is entitled to receive "carried interest" with respect to each Limited Partner. Alternative Investment Vehicles established in connection with a Primary Fund may bear a portion of the carried interest in respect of such Primary Fund. Such carried interest is generally paid out of the proceeds realized from the applicable investments of the Primary Funds. Co-Investment Funds generally are not subject to carried interest.

Although as a general matter the Adviser will be selecting investments for a single Primary Fund at any given time (other than the overlapping period when a predecessor Fund and successor Fund are both able to make investments), the existence of carried interest may incentivize the Adviser to favor one Fund over another Fund. The Adviser's policies relating to the allocation of investment and sale opportunities among the Funds is described in more detail in Item 11.

The existence of the General Partner's carried interest may also create an incentive for the General Partner and Adviser to make more speculative investments on behalf of each Primary Fund than it would otherwise make in the absence of such carried interest. To help align the interests of the General Partner and Adviser with those of the Limited Partners, the General Partner, the Adviser, and their affiliates and employees invest in or alongside the Primary Fund (including through the Employee Co-Investment Fund, as described in Item 4) an amount equal to at least 5% (and up to 25% as described in Item 4) of such Primary Fund's total capital commitments.

#### **Item 7 – Types of Clients**

The Adviser provides investment advisory services to the Funds. Investment advice is provided directly to the Funds and not individually to the Limited Partners of the Funds. Limited Partner interests may be purchased only by investors that are (a) "accredited investors," as defined in Regulation D of the U.S. Securities Act of 1933, as amended, and (b) (other than with respect to certain Co-Investment Vehicles) "qualified purchasers" for purposes of section 3(c)(7) of the Investment Company Act of 1940, as amended.

Limited Partners of the Funds generally are required to make a minimum commitment of \$10 million, but the applicable General Partner has the discretion to, and has previously, waived this minimum commitment in certain circumstances.

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

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

The investment strategy of the Funds is to realize significant long-term capital gains by investing in equity, equity-related and other securities and obligations of entities (a) formed to effect, or that are the subject of, leveraged buy-out transactions, (b) that are being recapitalized or (c) that require capital for operations or business expansion. The Funds primarily pursue investment opportunities in growing middle-market companies across a broad range of industries.

The Adviser typically obtains information with respect to potential portfolio companies from management teams, commercial and investment bankers, attorneys, accountants, appraisal firms, consultants and other advisors and intermediaries of such companies. The Adviser utilizes carefully designed and rigorous due diligence procedures to identify and quantify the productivity, cost structure and working capital improvement opportunities that can realistically be achieved with respect to each potential investment.

To facilitate this investment strategy, the Adviser focuses its analysis on businesses that: (i) possess experienced and talented management teams; (ii) have a history of strong earnings and cash flows; (iii) maintain a significant market presence characterized by proprietary products or value-added services with sustainable franchises; (iv) generate a sufficiently high return on assets to support an appropriate level of debt; and (v) exhibit the potential for substantial growth in equity value.

### ***Certain Risks Relating to the Investment Strategies of the Funds***

Investing in securities involves risk of loss that clients should be prepared to bear, including but not limited to the risks summarized below:

- changes in general economic conditions;
- availability of debt financing for transactions;
- highly competitive market for investments;
- reliance on the expertise of investment professionals of the Adviser and its affiliates;
- potential conflicts of interest among Funds or between the Funds on the one hand and the Adviser, and its affiliates and investment professionals on the other hand;

- exposure to portfolio company and related party claims;
- potential liabilities in connection with dispositions of investments;
- reliance on portfolio company management;
- certain additional economic, political, regulatory and other risks relating to non-U.S. investments, including the volatility of the equity markets and the securities markets generally;
- additional or unforeseen taxation in jurisdictions in which the Funds operate and invest;
- illiquidity of investments;
- lack of diversification;
- investments in portfolio companies with high levels of debt; and
- possible investments in derivatives and other financial instruments as part of a hedging strategy.

These risks are generally applicable to the investment strategy of the Funds (although certain risks described above may not be applicable to the activities of Co-Investment Funds or Alternative Investment Vehicles, certain of which were formed for the purpose of investing in a single portfolio company). These risks are described in greater detail in the Private Placement Memorandum provided to Limited Partners.

#### **Item 9 – Disciplinary Information**

The Adviser has no information to disclose that is applicable to this Item.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

The General Partners of the Primary Funds are affiliated with the Adviser by common ownership.

In addition, certain of the Adviser’s principals maintain an ownership interest in BlackRock Kelso Capital Advisors LLC (“BKCC Advisors”), which advises BlackRock Kelso Capital Corporation, a closed-end management investment company (“BKCC”) and serves on the investment committee of BKCC Advisors. The Adviser as an organization does not participate in the investment activities of BKCC Advisors or BKCC. The investment objectives of the Primary Funds and BKCC do not overlap and the Adviser believes that types of investments considered by BKCC are not generally

suitable for the Primary Funds. Thus, the Adviser does not believe that the involvement of certain of the Adviser's principals in BKCC creates a conflict of interest on the part of the Adviser's principals.

Should conflicts of interest arise in the context of this or other relationships that the Adviser has with financial service companies, they will be addressed in accordance with the Code of Ethics (described in further detail in Item 11), the Partnership Agreements and the Adviser's compliance policies and procedures, as applicable.

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

### ***Code of Ethics***

The Adviser has adopted a code of ethics (the "Code of Ethics") pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the "1940 Act") for all Supervised Persons of the Adviser. "Supervised Persons" include (a) any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of the Adviser and (b) any other person who provides investment advice on behalf of the Adviser and is subject to the Adviser's supervision and control.

The Code of Ethics establishes the standard of conduct expected of all of the Adviser's Supervised Persons, in light of the Adviser's duties to the Funds under the 1940 Act. The Code of Ethics is based on the principle that the Adviser owes a fiduciary duty to the Funds for which the Adviser (or a related person) serves as a General Partner and fund manager. At all times the Adviser's Supervised Persons must (i) place the interest of the Funds ahead of their own personal interests, (ii) conduct personal securities transactions in full compliance with the Code of Ethics, (iii) avoid taking inappropriate advantage of his or her position with the Adviser and (iv) comply with applicable Federal securities laws and regulations.

The Code of Ethics includes provisions relating to the fiduciary duties of Supervised Persons, a prohibition on insider trading, the confidentiality of information concerning the Funds, their portfolio companies, Limited Partners and the Adviser, and reporting obligations relating to securities holdings and transactions, among other matters. Each of the Adviser's employees is required to provide the Chief Compliance Officer with a written acknowledgement of his or her receipt of the Code of Ethics and any amendments, and thereafter must certify on an annual basis to having read and understood the Code of Ethics.

The Code of Ethics forbids any Supervised Person from engaging in any insider trading and from disclosing or using material non-public information in violation of applicable law. The Code of Ethics generally restricts trading in close proximity to Fund

investment activity. All of the Adviser's Supervised Persons are required by the personal securities transactions policy in the Code of Ethics to:

- pre-clear certain personal securities transactions;
- report personal securities holdings to the Chief Compliance Officer after becoming an employee;
- report personal securities transactions to the Chief Compliance Officer quarterly; and
- report personal securities holdings to the Chief Compliance Officer annually.

Employee trading is routinely monitored by the Chief Compliance Officer pursuant to the Code of Ethics in order to reasonably prevent or address conflicts of interest among the Adviser, Supervised Persons and the Funds.

In addition, all Supervised Persons must provide both annual and quarterly reports confirming their compliance with different policies and procedures in the Code of Ethics.

The Funds, Limited Partners and prospective investors in the Funds may request a copy of the Code of Ethics by contacting the Adviser's Chief Compliance Officer.

#### ***Participation or Interest in Client Transactions***

The Adviser investigates and structures potential investments of the Funds, as described in Item 16. Partners and principals of the Adviser have a material financial interest in these investments through their commitment to the General Partners and to the Employee Co-Investment Fund, as described in Items 4 and 6. The Adviser has adopted a Code of Ethics and has designed written policies to ensure its compliance with the provisions of each Partnership Agreement addressing potential conflicts of interest involving the Adviser and its related persons. In limited circumstances, the Adviser may recommend the purchase of public securities of a company in which the Adviser or an affiliate has a pre-existing interest. However, each Fund's Partnership Agreement restricts those transactions where such pre-existing interest is less than 5% of the total outstanding securities of such company. Additionally, while the Fund has made investments through special purpose vehicles ("SPVs"), and may continue to do so in the future, the Adviser views such SPVs as part of the Funds and the Adviser receives no additional benefit from advising the SPVs.

### ***Allocation of Investment and Sale Opportunities Policy***

Investment opportunities are allocated among Funds based upon the provisions of the applicable Partnership Agreements. To the extent that a relevant Partnership Agreement does not address the manner in which the investment opportunity should be allocated, the Adviser will allocate the opportunity between or among the Funds in good faith, according to the policies and procedures set forth in its written compliance policies and procedures (the “Allocation Policies”). The Allocation Policies govern the appropriate allocation of investment opportunities, and provide that when determining these allocations the Adviser will consider the following factors: (i) the size, nature, risk profile and type of investment opportunity; (ii) principles of diversification of assets, including, without limitation, in respect of geography, investment size and sector; (iii) the investment guidelines, limitations and investment strategies of each Fund; (iv) cash availability and leverage capabilities of each Fund; (v) the magnitude of the investment; (vi) a determination by the Adviser that the opportunity is inappropriate, in whole or in part, for one or more of the Funds; (vii) proximity of a Fund to the end of its specified investment or liquidation period; (viii) applicable transfer or assignment provisions (ix) applicable law; (x) follow on obligations; or (xi) such other factors as the Adviser deems relevant in good faith.

Similarly, the sale of an investment held by two or more such Funds where a sale opportunity or exit strategy has been identified, generally will be allocated on a *pro rata* basis and at substantially the same time, unless the other Fund wishes to hold some or all of such investment until a later date and the Adviser’s Compliance Committee determines that it would not be contrary to the best interests of the Funds. The Funds are generally prohibited by the applicable Partnership Agreements from (1) selling investments to other Funds or purchasing investments from the other Funds, (2) causing any portfolio company’s to issue or sell any securities to any other Funds or (3) acquiring securities of any portfolio company held by the other Funds.

The Adviser or its affiliates may be required to address potential conflicts of interests between Funds relating to investment and sale opportunities. Subject to the provisions of the Partnership Agreements of the affected Funds, on any matter involving a conflict of interest, the Adviser or its affiliates will be guided by its duties to each Fund and will seek to resolve such conflict in good faith. However, if necessary to resolve such conflict, the Adviser or its affiliates reserve the right to cause one affected Fund to take such steps as may be necessary to minimize or eliminate the conflict, even if that would require such account to (a) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (b) otherwise take action that may have the effect of benefiting the Adviser, any of its affiliates, or another Fund and may not be in the best interest of the affected Funds.

## **Item 12 – Brokerage Practices**

Due to the nature of the investments the Funds make, broker-dealers are not generally used for transactions. However, when executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' reliability and capability based on previous and pending transactions effected by the broker-dealer for client accounts.

### ***Research and Other Soft Dollar Benefits***

The Adviser, as a matter of policy, does not affect soft dollar arrangements (that is, arrangements under which research and certain other services are acquired in connection with brokerage arrangements). If the Adviser determines to do so, it will endeavor to do so within the "safe harbor" provided by Section 28(c) of the Securities and Exchange Act of 1934. While the Adviser may receive proprietary research from certain brokerage firms, it does not take the value of such research into account in selecting brokers.

### ***Aggregation of Client Trades***

The purchase or sale of securities may be aggregated for various Funds to the extent that more than one Fund is acquiring or selling securities in the same portfolio company. Where a sale opportunity is identified for an investment held by two or more Funds, the opportunity will be allocated in accordance with the applicable Partnership Agreements and the "Allocation of Investment Opportunities" section described in Item 11. The Adviser will generally aggregate the securities that are to be disposed of if that is the most efficient means to dispose of the securities.

## **Item 13 – Review of Accounts**

The Adviser closely monitors companies in which the Funds invest, and generally maintains an ongoing oversight position in such companies (including, where relevant, representation on the board of directors of such companies). Because investments made by the Funds are generally private, illiquid and long-term in nature, the Adviser's review process is not directed toward a short-term decision to dispose of securities. The Adviser's transaction professionals extensively analyze the viability of anticipated exit strategies during the investment decision-making process and continually evaluate potential exit strategies throughout the life of a portfolio investment. In determining the ultimate timing of a full or partial exit, the transaction teams consider the company's strategic progress, growth prospects, business environment, capital markets and overall economic conditions.

Final investment decisions and exit strategies are made by a majority vote of each Fund's investment committee, which is comprised of the Adviser's principals.

The Adviser provides an annual report to the Limited Partners of each Fund. The annual report contains the audited financial statements of the respective Fund, which are prepared in accordance with generally accepted accounting principles.

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

In connection with the marketing and sale of interests in the Primary Funds, one or more placement agents have been compensated in accordance with the Partnership Agreements of such Primary Funds. The Partnership Agreements provide that the Management Fees are subject to reduction (as described in Item 5 above) for contributions made by Limited Partners to the Primary Funds to pay any placement fees paid or payable by such Primary Funds (with the result that placement fees are borne by the Adviser).

#### **Item 15 – Custody**

The Adviser is deemed to have custody for purposes of the Advisers Act of each Fund's cash and securities by virtue of its relationship with such Fund's General Partner. Except as permitted by the Advisers Act, such cash and securities are maintained in accounts established with qualified custodians, as defined in Rule 206(4)-2 of the Advisers Act (each, a "Qualified Custodian"). Such accounts are in the name of the relevant Fund.

The Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Each Fund's audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each Fund's investors within 120 days of such Fund's fiscal year end.

#### **Item 16 – Investment Discretion**

The Adviser has discretion to recommend investments for each Fund to the General Partner of the Fund without the consent of the Limited Partners, subject to the limitations set forth in the Management Agreement and Partnership Agreement of such Fund. However, the management and the conduct of the activities of each Fund remain the ultimate responsibility of such Fund's General Partner, an affiliate of the Adviser.

#### **Item 17 – Voting Client Securities**

The Funds invest primarily in private companies, which typically do not issue proxies. The Adviser has adopted written policies and procedures regarding proxy voting



(the “Proxy Voting Policy”) in the event that the Adviser is required to vote proxies on behalf of the Fund. It is the Adviser’s policy to exercise any proxy proposals received in connection with publicly traded portfolio companies of the Funds, in the best interest of the applicable Fund, taking into consideration all relevant factors, including, without limitation, acting in a manner that the Adviser believes will maximize the ultimate long term economic value of the relevant Fund. Whenever the Adviser is required to exercise a vote for a privately-held portfolio company, the Adviser applies the same standards and procedures. The Adviser seeks to avoid material conflicts of interest between its own interests on the one hand, and the interests of the Funds on the other.

It is the general policy of the Adviser to vote or give consent on all matters presented to security holders in any proxy. However, the Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the members of the Adviser’s compliance committee and the costs associated with voting such proxy outweigh the benefits to the Fund or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the relevant Fund. In addition to the voting of proxies, the principals of the Adviser may, in their discretion, meet with members of a company’s management and discuss matters of importance to a Fund and its economic interests.

All conflicts of interest related to proxy voting will be resolved in a manner consistent with the best interests of the relevant Fund. All proxy voting decisions will require mandatory conflicts of interest review by the Chief Compliance Officer or designee in accordance with Proxy Voting Policy, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. If at any time any principal of the Adviser becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular proxy voting decisions, he or she should contact the Chief Compliance Officer or a member of the Adviser’s compliance committee.

The Adviser will provide to the Limited Partners, upon request: (a) information pertaining to proxies voted by the Adviser on behalf of the Fund and/or (b) a copy of the Adviser’s proxy voting policies and procedures.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the Adviser’s financial condition. The Adviser has no financial commitments that impair its ability to meet its contractual or fiduciary commitments to the Funds. The Adviser has not been the subject of a bankruptcy proceeding.