

**REGISTERED INVESTMENT ADVISER**

**DANIELS & KING MANAGEMENT COMPANY,  
L.P.**

**d/b/a**



**191 North Wacker Drive  
Suite 800  
Chicago, Illinois 60606-1708  
[www.prairie-capital.com](http://www.prairie-capital.com)**

**February 10, 2012**

**FORM ADV PART 2A - BROCHURE**

**This Investment Adviser Brochure ("Brochure") provides information about the qualifications and business practices of Daniels & King Management Company, L.P. (the "Management Company"). If you have any questions about the contents of this Brochure, please contact us at (312) 360-1133. 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 authority.**

*The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.*

*Additional information regarding the Management Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **2. MATERIAL CHANGES**

We are required by the SEC to disclose material changes to our brochure annually. Since this is Daniels & King Management Company, L.P.'s first brochure, this brochure is new in its entirety. We review and update our brochure at least once each year to ensure that it remains current.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes, as necessary.

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#### **4. ADVISORY BUSINESS**

Daniels & King Management Company, L.P., a Delaware limited partnership and a registered investment adviser (the “Management Company,” and collectively with its affiliated investment advisory entities and other organizations, “Prairie Capital” or “Prairie”), is a private investment management firm which provides investment advisory services to private investment funds in private fund assets. Prairie Capital commenced operations in July 1997 and the Management Company commenced operations in November 2003.

The following are the affiliated advisers of the Management Company (collectively with the Management Company, the “Advisers”):

- Daniels & King Capital II, L.L.C. (“GP II”);
- Daniels & King Capital III, L.L.C. (“GP III”);
- Daniels & King Capital IV, L.L.C. (“GP IV”); and
- Daniels & King Capital V, L.L.C. (“GP V,” and together with GP II, GP III and GP IV, the “General Partners”).

The Advisers’ clients include the following (collectively the “Partnerships,” and together with any future private investment fund to which Prairie or its affiliates provide investment advisory services, “Prairie Funds”):

- Prairie Capital II, L.P. (“PC II”);
- Prairie Capital III, L.P. (“PC III LP”), a licensed Small Business Investment Company (an “SBIC”);
- Prairie Capital III QP, L.P. (“PC III QP,” and together with PC III LP, “PC III”), a licensed SBIC;
- Prairie Capital IV, L.P. (“PC IV LP”);
- Prairie Capital IV QP, L.P. (“PC IV QP,” and together with PC IV LP, “PC IV”);
- Prairie Capital V, L.P. (“PC V LP”); and
- Prairie Capital V QP, L.P. (“PC V QP,” and together with PC V LP, “PC V”).

The General Partners each serve as general partner to one or more Partnerships and have the authority to make the investment decisions for the Partnerships to which they provide advisory services. The Management Company provides the day to day advisory services for the Partnerships pursuant to a management services agreement. Each General Partner is registered under the



## **Investment Adviser Brochure – Daniels & King Management Company, L.P.**

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Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers which operate as a single advisory business and are under common control. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of the Management Company and other Prairie affiliates that collectively engage in the investment process and ongoing management of the Partnerships' portfolio companies.

The Partnerships and any other Prairie Funds that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of a General Partner are expected to invest through negotiated transactions in operating entities. The Advisers' investment advisory services to the Partnerships consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates may serve on a portfolio company's board of directors or otherwise act to influence control or management of portfolio companies held by the Partnerships. The Advisers' advisory services for Prairie Funds are further described in the applicable private placement memoranda and limited partnership agreements (each, a "Partnership Agreement"), as well as below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." Investors in Prairie Funds participate in the overall investment program of such Prairie Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Prairie Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Prairie Fund's Partnership Agreement.

As of December 31, 2011, the Management Company managed \$607.8 million in client assets on a discretionary basis. Daniels & King Management GP, L.L.C. is the general partner of the Management Company. The Management Company is principally owned by C. Bryan Daniels and Stephen V. King.

### **5. FEES AND COMPENSATION**

In general, the General Partner receives a management fee and a carried interest in connection with advisory services. The Advisers or other Prairie entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of the Partnerships, and such, additional compensation will offset in whole or in part, the management fees otherwise payable to the General Partners. Investors in the Partnerships also bear certain fund expenses, as described in more detail below.

**Management Fees***PC II and PC III*

Each of PC II and PC III currently pays the applicable General Partner, quarterly in advance, a management fee (the “Management Fee”) equal to 1.5% of (i) the cost basis of all unrealized investments less (ii) the amount of any permanent write-offs.

*PC IV*

PC IV currently pays GP IV, quarterly in advance, a Management Fee equal to 2.25% on an annual basis of aggregate PC IV investor capital commitments (“Commitments”) until the earlier to occur of: (i) the sixth anniversary of the first capital contribution to PC IV; and (ii) one year after the date on which 90% of PC IV’s Commitments have been contributed.

Thereafter, the Management Fee will equal 2.0% of (i) the cost basis of all unrealized investments less (ii) the amount of any permanent write-offs.

*PC V*

PC V currently pays GP V, quarterly in advance, a Management Fee equal to 2.0% on an annual basis of aggregate PC V Commitments until the earliest to occur of: (i) the sixth anniversary of the first capital contribution to PC V; (ii) the termination of PC V’s investment period due to a “Key Man Event” (as described in more detail in the Partnership Agreements); and (iii) nine months after the date on which 85% of PC V’s Commitments have been contributed.

Thereafter, the Management Fee will equal 2.0% of (i) the cost basis of all unrealized investments less (ii) distributions constituting a return of capital and complete and permanent write-offs, provided that distributions with respect to a portfolio company shall be treated as a return of capital only to the extent the fair market value of PC V’s interest in such portfolio company at the time of such distribution is less than PC V’s aggregate investment contributions made with respect to such portfolio company.

*Management Fee Offsets*

With respect to PC II and PC III, any commitment fees, break-up fees, litigation proceeds, closing or monitoring fees, directors’ fees, advisory fees or similar fees or compensation are used to reimburse the relevant Partnership for all costs and expenses not previously reimbursed to the extent incurred by such Partnership in connection with any consummated or unconsummated transaction. To the extent that such an offset credit would reduce the Management Fee for a given six-month period below zero, the credit will be carried forward for future application against payable Management Fees.

With respect to PC IV and PC V, the Management Fee will be reduced by (a) 50% with respect to PC IV and 100% with respect to PC V of any monitoring fees, consulting fees, directors' fees and other similar fees earned by the General Partner in respect of any Partnership investment, in each case after reimbursement of expenses and (b) 100% of any transaction fees and/or break-up fees from transactions that are not completed that are paid to the General Partner, in each case after reimbursement of expenses (such fees described in (a) and (b), "Supplemental Fees"). To the extent that such an offset credit would reduce the Management Fee for a given three-month period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess remains unapplied upon dissolution of the relevant Partnership, each partner of such Partnership will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Prairie Fund or any other entity or individual co-invests alongside a Partnership in any portfolio company investment, any offset credit will be allocated *pro rata* among such Partnership and the co-investors in proportion to the cost of the investment in the portfolio company borne by each.

The Management Fee will be paid out of a given Partnership's current income and disposition proceeds (to the extent available) and, at the applicable General Partner's discretion, from drawdowns that will reduce unfunded commitments.

As permitted under the Partnership Agreements, a General Partner may waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital the relevant General Partner would otherwise be required to contribute to the applicable Partnership. Although generally not required in practice, pursuant to the Partnership Agreement, the limited partners of a given Partnership may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the applicable General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions.

### **Carried Interest**

The General Partner of each Partnership will receive a carried interest with respect to the Partnership equal to 20% of certain realized profits in excess of an 8% per annum preferred return (compounded annually with respect to PC V), subject to a General Partner catch-up as more fully described in the applicable Partnership Agreements. Certain principals and employees of the Management Company may receive a portion of the carried interest received by the General Partners or their affiliates.

All distributions by a Partnership are subject to limitations placed on such distributions by any applicable credit facilities of such Partnership. The carried interest distributed to a General Partner is subject to a potential giveback at the end of the life of the applicable Partnership (and at certain points during the life of PC V) if such General Partner has received excess cumulative distributions.

**Expenses**

In addition to the Management Fee and carried interest payable to each General Partner, each Partnership bears certain expenses. Each Partnership will pay all costs, expenses, liabilities and obligations relating to the Partnership's activities that are not reimbursed by portfolio companies (the "Partnership Expenses"), including, but not limited to:

- (i) all costs, expenses, liabilities and obligations attributable to or associated with identifying, acquiring, holding and disposing of the Partnership's investments (including, but not limited to, interest on outstanding credit facilities, registration expenses and brokerage, finders', custodial and other fees and expenses);
- (ii) all legal, accounting, auditing, consulting, financing and other fees and expenses and insurance;
- (iii) all expenses of the Partnership's advisory board incurred in accordance with the Partnership Agreements;
- (iv) all extraordinary expenses of the Partnership including, but not limited to, insurance, litigation and indemnification costs and expenses, judgments and settlements;
- (v) all costs, fees, liabilities, obligations and expenses incurred by the Partnership and the General Partner (without duplication) relating to investment and disposition opportunities for the Partnership not consummated;
- (vii) all taxes, fees and other governmental charges levied against the Partnership;
- (viii) all fees, costs, expenses, liabilities and obligations incurred in connection with obtaining credit facilities; and
- (ix) all costs and expenses (excluding any portion of any compensation of the employees or managers of the General Partner) incurred in connection with the organization and equity funding of the Partnership and the General Partner, subject to certain limitations (including an expense cap) contained in the Partnership Agreements.

If an alternative investment structure is used for tax purposes in PC IV or PC V, all costs and expenses related to the alternative investment structure shall be borne solely by the investors investing through such structure.

If a Partnership incurs any liability that it has insufficient funds to pay (after calling any unpaid capital contributions and without regard to the expiration of any applicable investment period or Commitment period), the applicable General Partner may require each of the relevant Partnership's investors to contribute to such Partnership its pro rata share of such liability, subject to certain limitations within the Partnership Agreements.



The Management Company will pay all normal administrative and overhead expenses incurred in connection with managing, originating and monitoring investments, including compensation for employees' salaries, rent, utilities, etc., and will be reimbursed by the General Partners for the payment of such expenses.

### **Other Information**

The Partnerships and other Prairie Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreements, over the term of the Partnerships (or the relevant Prairie Funds, as applicable) and limited partners generally are not permitted to withdraw or redeem interests in a Partnership (or other relevant Prairie Funds, as applicable).

Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under "Fees and Compensation," the General Partners may receive a carried interest allocation on certain profits in the Partnerships. The Advisers do not currently advise any Prairie Funds that are not subject to a carried interest.

## **7. TYPES OF CLIENTS**

The Advisers provide investment advice to the Prairie Funds, which are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The investors participating in Prairie Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates.

PC II generally has a \$250,000 minimum investment for third-party investors. PC III and PC IV each generally have a minimum investment amount of \$500,000 for third-party investors. PC V generally has a minimum investment amount of \$500,000 for investors that have previously invested in private investment funds sponsored by Prairie Capital and \$1,000,000 for other third-party investors. With respect to each Partnership, such minimum investment amounts may be waived by the applicable General Partner. In most circumstances, investors in the Partnerships must meet certain suitability and net worth qualifications prior to making an investment. Generally, investors in PC III QP, PC IV QP and PC V QP must be (i) "accredited investors" as defined under Regulation D of the Securities act of 1933, as amended and (ii) either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act. Interests in PC II LP,

PC III LP, PC IV LP and PC V LP are offered and sold solely to certain qualified investors who are also accredited investors.

Investors may be permitted to co-invest directly in a particular portfolio company or in a holdings company which holds the equity in the portfolio company directly. The Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as more fully described in the applicable Partnership's Partnership Agreement. The Advisers are not obligated to make co-investment opportunities available to any particular investors or limited partners.

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

### **General**

Prairie Capital is a private investment firm focused on lower middle-market companies located generally throughout the United States, and generally targeting investments in established, profitable companies holding attractive market positions that are typically undergoing ownership changes or making strategic acquisitions. The Partnerships invest in several types of transactions, including management and leveraged buyouts, recapitalizations, and organic and inorganic growth equity. The Advisers structure the investments of the Partnerships (whether preferred or common equity, mezzanine or other debt, or otherwise) according to the specific requirements of each particular transaction.

Investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted. The Partnerships generally target companies with \$4 million to \$10 million of EBITDA and \$20 million to \$100 million in revenues, with a focus on making equity and/or mezzanine debt investments of \$10 million to \$30 million, although the required capital may be greater or less than such amounts.

PC III is licensed as an SBIC with the Small Business Administration. An SBIC may only invest in companies that are "small business concerns," which are generally defined to be entities with a net worth of less than \$18 million and average after-tax earnings for the prior two years of less than \$6 million. An SBIC may not invest more than 20% of its committed capital in a single company without prior approval. Generally, an SBIC may retain its investment in and make additional investments in a company even if the company grows and no longer qualifies as a "small business concern" so long as the company is not a public company. An SBIC generally may not control a portfolio company (whether by ownership or voting securities, voting arrangements, or management agreements).

Once an investment opportunity has been acquired, the Advisers seek to implement an effective operating strategy to improve the performance of the acquired company by (i) developing operating and restructuring plans, (ii) building the management team and (iii) providing significant resources to portfolio companies.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Partnerships. More detailed descriptions of the Partnerships' investment strategies and methods of analysis are included in the applicable private placement memorandum and Partnership Agreement for each Partnership. *There can be no assurance that the Advisers will achieve the investment objectives of the Partnerships, and a loss of investment may be possible.*

### **Investment and Operating Strategy**

*Deal Sourcing and Due Diligence.* The Advisers' investment professionals have spent significant time developing relationships in the lower middle market. The sources of deals include management introductions, existing and former portfolio companies, limited partner referrals, middle market intermediaries and service providers, and highly selective auction participation. Once a potential investment is identified, the Advisers develop an investment thesis and, through a detailed due diligence process, seek to verify such thesis and investigate the major business risks. As part of their diligence process, the Advisers complete a detailed analysis of an industry including contacting a target company's customers and vendors, trade organizations, the Advisers' contact network and, in certain instances, industry consultants.

*Develop Operating Plans.* Senior members of the professional and operating staff of the Advisers and their affiliates develop operating plans prior to the close of each transaction focusing on the target's strengths, weaknesses, competitive position, industry trends and other relevant factors.

*Build Management Team.* The Advisers may supplement or replace the management team at a new portfolio company or advise the existing management team on methods to improve performance. The Advisers routinely search for highly qualified senior managers and often identify qualified candidates prior to making the next investment. In certain instances, operating professionals of the Advisers will fill key management roles (including chief executive officer or chief financial officer) on an interim basis immediately following closing until a professional management team can be assembled.

*Professionalize and Maintain Active Involvement in Portfolio Companies.* The Advisers aim to act decisively with respect to newly acquired portfolio companies. The Advisers seek to professionalize the business through human capital investment in key operating positions, enhanced financial reporting and performance tracking, and implementation of formal governance processes. Thereafter, the Advisers stay actively involved in the management of the portfolio companies by, among other things, requiring disciplined and timely financial reporting and

scheduling frequent meetings with the senior staff to focus on operations, competition, new products and personnel.

*Internal Growth and Add-on Acquisitions.* The Advisers will often seek to utilize the portfolio company's cash flow, embedded equity value and borrowing capacity to accelerate growth through new product and market opportunities and add-on acquisitions.

*Exit Strategy.* The Advisers will consider appropriate exit strategies, including the sale to a strategic or financial buyer, an initial or secondary public offering or a recapitalization. Factors considered include the company size, company growth rate, industry and competitive dynamics, banking market conditions and capital market conditions.

### **Risks of Investment**

A Partnership and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Partnership are detailed in the Partnership's private placement memorandum. In general, the risks applicable to each Partnership and the activities of its related General Partner and the Management Company include, but are not limited to:

*Future and Past Performance.* The performance of the prior investments of Prairie is not necessarily indicative of the Partnership's future results. While the General Partner intends for the Partnership to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that positive returns will be achieved. On any given investment, loss of principal is possible.

*Passive Investment; Reliance on the Management Company.* Investors will not have the opportunity to personally evaluate the business and financial information used by the Management Company in the selection of investments. Accordingly, investors will be relying on the Management Company for properly evaluating, structuring, monitoring, and disposing of investments. The Partnership has no operating history and will be entirely dependent on the Management Company. Control over the operation of the Partnership will be vested entirely with the Management Company, and the Partnership's future profitability will depend largely upon the business and investment acumen of the Management Company and its affiliates. Although the Management Company will monitor the performance of each Partnership investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day to day basis. Although the Partnership generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will operate such companies successfully.

*Leverage.* Each Partnership intends to obtain leverage that may be secured by the Partnership's assets, the Commitments and the capital accounts of the investors in the Partnership. While this leverage is intended to increase overall returns to investors, it will also increase the risk associated with the Partnership. Investor returns will be junior to repayment of borrowings and

the Partnership's lenders will have certain rights to enforce the Commitments in the event of a default under the Partnership's facility. The cost and availability of leverage is highly dependent on the state of the broader credit markets. It may be difficult to obtain or maintain the desired degree of leverage depending on the liquidity in the credit markets. Leverage generally magnifies both the Partnership's opportunities for gain and its risk of loss from a particular investment. The use of leverage will also result in interest expense and other costs to the Partnership that may not be covered by distributions made to the Partnership or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs.

In addition, the leveraged capital structure of portfolio companies will increase the exposure of the Partnership's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment, or rising interest rates and could accelerate and magnify declines in the value of the Partnership's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Partnership may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Partnership. Furthermore, should the credit markets be tight at the time the Partnership decides that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent within its forecasts. Moreover, the companies in which the Partnership invests generally will not be rated by a credit rating agency.

Capital contributed to the Partnership by investors will be subordinated to any amounts borrowed by the Partnership.

*Junior Securities.* The securities in which the Partnership invests may be among the most junior in a portfolio company's capital structure and thus subject to the greatest risk of loss.

*Public Company and Regulated Investments.* The Partnership's investment portfolio may contain securities issued by publicly held companies and/or otherwise regulated companies. Such investments may subject the Partnership to risks that differ in type or degree from those involved with investments in privately held or non-regulated companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, the Partnership and/or its direct or indirect partners, limitations on the ability of the Partnership to take certain actions, increased likelihood of shareholder litigation against such companies' board members, including employees and affiliates of the Management Company, and increased costs associated with each of the aforementioned risks.

*Non-Controlling Investments.* The Partnership may hold meaningful minority stakes in companies. As is the case with minority holdings in general, such minority stakes that the Partnership may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. The Partnership may be restricted from exiting such minority stakes prior to an exit by the controlling equity holders.

*Business Risks.* The Partnership's investment portfolio will consist primarily of securities issued by privately-held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk, as well as risks related to general market conditions, which can result in substantial losses.

*Concentration of Investments.* The Partnership participates in a limited number of investments and may make several investments in one industry or one industry segment. As a result, the Partnership's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return.

*Lack of Sufficient Investment Opportunities.* It is possible that the Partnership will never be fully invested if sufficiently attractive investments are not identified. The business of identifying and structuring private equity and/or mezzanine transactions is highly competitive and involves a high degree of uncertainty. However, investors will be required to pay annual management fees during the applicable period (as described in more detail previously) based on the entire amount of their Commitments.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Partnership may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Partnership will make follow-on investments or that the Partnership will have sufficient funds to make all or any of such investments. Any decision by the Partnership not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Partnership to increase its participation in a successful operation.

*Projections.* Projected operating results of a company in which the Partnership invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Non-U.S. Investments.* The Partnership may invest in portfolio companies that are organized and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Partnership) and the application of complex U.S. and non-U.S. tax rules to cross border investments, possible imposition of non-U.S. taxes on the Partnership and/or the investors with respect to the Partnership's income, and possible non-U.S. tax return filing requirements for the Partnership and/or the investors. Additional risks include: (a) risks of



economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, is currently restricted. This may have an adverse effect on the economy generally and on the ability of the fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Partnership makes investments.

### **Conflicts of Interest**

During the investment period of a given Partnership, all appropriate investment opportunities will be pursued by the Advisers through such Partnership, subject to certain limited exceptions. At any given time, the Management Company and its affiliates will typically manage several other Prairie Funds in addition to a given Partnership, which may include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Partnership, and may direct certain relevant investment opportunities to those Prairie Funds and with respect to such investments. The Management Company’s principals and investment staff will continue to manage and monitor the investments of such Prairie Funds until their realization. The portfolio company investments of such other Prairie Funds may potentially compete with companies acquired by a given Partnership. Following the investment period of a given Partnership, the Management Company’s principals may focus their investment activities on other opportunities and areas unrelated to such Partnership’s investments while continuing to monitor such Partnership’s investments with an eye towards increasing value and seeking realization.

From time to time, the Management Company will be presented with investment opportunities that would be suitable not only for a given Partnership, but also for other Prairie Funds. In determining which Prairie Fund should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in the Prairie Funds. The Management Company attempts to resolve such conflicts of interest in light of its obligations to investors in its Prairie Funds and the obligations owed by the General Partners to investors in Prairie Funds managed by them, and attempts to allocate investment opportunities among a

Partnership and other Prairie Funds in a fair and equitable manner. When necessary, the Management Company consults and receives consent to conflicts from a board of advisers consisting of limited partners of the applicable Partnership.

Because the General Partners' carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause the Partnerships to make riskier or more speculative investments than would otherwise be the case. Since in certain cases, certain of the General Partners are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Partnership investments, the Advisers could have a conflict of interest in connection with approving transactions. The General Partners attempt to resolve such conflict by offsetting the Management Fee by a specified percentage of such Supplemental Fees.

## **9. DISCIPLINARY INFORMATION**

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Management Company is affiliated with each of the General Partners, which are registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The Management Company provides advisory services to the General Partners and other Prairie Capital entities pursuant to management agreements. These affiliated investment advisers operate as a single advisory business together with the Management Company and serve as managers or general partners of Prairie Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted the Prairie Capital Code of Ethics and Securities Trading Policy (the "Code"), which sets forth standards of conduct that are expected of the Advisers' Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers' personnel to:

- (i) report their personal securities transactions;
- (ii) pre-clear any proposed purchase of any initial public offering or limited offering;
- and



(iii) comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any limited partner or prospective limited partner upon request to Prairie's Chief Compliance Officer, at (312) 360-1133. Personal securities transactions by employees who manage Prairie Funds are required to be conducted in a manner that prioritizes the Prairie Funds' interest in appropriate investments.

The Advisers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect a decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a Prairie Fund or a limited partner thereof. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information, and the Advisers will have no responsibility or liability for failing to disclose such information to the Prairie Funds or any limited partner thereof as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Prairie personnel serving as directors of public companies and may restrict trading on behalf of the Prairie Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Prairie Funds (including co-investment vehicles) as may be permitted by the terms of the Partnership Agreements. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Prairie Funds. The Advisers believe that such interests do not create a conflict of interest and instead operate to align the interests of principals and employees of the Advisers with the Prairie Funds.

The Prairie Funds may invest together in the manner set forth in the Partnership Agreements. The Advisers will determine the allocation of investment opportunity in a manner that they believe is fair and equitable to the Prairie Funds and their limited partners consistent with the Advisers' obligations and may take into consideration factors such as the following: the Prairie Funds' investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), amount of available Commitments, strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Prairie Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Partnerships, even though their investment objectives may be the same or similar. The operative documents and investment

programs of the Prairie Funds sponsored by Prairie may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such funds or may give priority with respect to investments to such funds. Some of these restrictions could be waived by the limited partners (or their representatives) in such funds.

Personnel of Prairie, the Advisers or any affiliate of the Advisers may not invest in any securities of any company in which the Prairie Funds either are actively considering making an investment or have an investment (other than a short-term investments such as commercial paper, money market instruments and similar obligations and securities) or in any securities of any company which, in the good faith determination of the Advisers, meet the Partnerships' investment criteria without the prior approval of the advisory committee of limited partners of the Partnerships, subject to certain limitations contained in the Partnership Agreements.

Although historically the Advisers have not engaged in this practice for non-mezzanine debt investments, pursuant to the applicable Partnership Agreement, the General Partners may borrow funds on behalf of a Prairie Fund and contribute such borrowed amounts to the relevant Prairie Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Prairie Fund as a Partnership expense, consistent with the applicable Partnership Agreement (or other governing document) and the expense policy described under "Fees and Compensation." In borrowing on behalf of the Prairie Funds, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Prairie Funds. The General Partners will effect such borrowings in a manner that they believe to be fair and equitable to the Prairie Funds and consistent with the General Partners' obligations to the Prairie Funds and the relevant Partnership Agreements (or other governing document).

## **12. BROKERAGE PRACTICES**

The Advisers focus on private company security transactions and generally purchase and sell such companies through privately-negotiated transactions in which the services of an investment banker may be retained. The Advisers may also distribute securities to limited partners in a Prairie Fund or sell such securities, using a broker-dealer, if a public trading market exists.

Although the Advisers do not intend to regularly engage in public securities transactions on behalf of a Prairie Fund, to the extent they do so, they will follow the brokerage practices described below. If the Advisers sell publicly traded securities for a Prairie Fund they are:

- (i) responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers and;
- (ii) responsible to select brokers on the basis of best price and execution capability.

The Advisers will endeavor to be aware of the current commission rates of eligible brokers and to reduce the expenses incurred for effecting transactions where possible in the best interests

of the Prairie Funds and their limited partners. The Advisers generally seek competitive commission rates, but have no duty or obligation to pay the lowest commission or commission equivalent as certain brokerage transactions may involve specialized services on the part of the broker involved, and thereby entail higher commissions.

If the Advisers engage in any such transactions, orders placed first will be executed first. To the extent that orders for Prairie Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Prairie Funds simultaneously, but are not obligated to do so. The Advisers may combine or “batch” orders to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs with the intent to ensure that no participating Prairie Fund of the Advisers is favored over any other Prairie Fund. If orders are not batched, it may have the effect of increasing brokerage commissions or other costs. When an aggregated order is filled in its entirety, each participating Prairie Fund generally will receive the average price obtained on all such purchases or sales made during such trading day, and for partially completed orders on a *pro-rata basis*.

Brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services and have not made use of such services since their inception.

### **13. REVIEW OF ACCOUNTS**

The investments made by the Prairie Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Prairie Funds invest, and the Prairie Chief Compliance Officer periodically checks to confirm that each Prairie Fund is maintained in accordance with its stated objectives.

Subject to the terms of the applicable Partnership Agreements, each Partnership will provide to its limited partners (i) audited financial statements annually commencing with the first year in which such Partnership makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each investor’s U.S. tax returns and (iv) descriptive investment information for each portfolio company. There will also be an annual meeting of investors to review and discuss each Partnership’s activities.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and/or their affiliates may provide certain business or consulting services to companies in a given Partnership’s portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may offset a portion of the Management Fees paid by the Partnership. In other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees.

From time to time, the Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential new investor becoming a limited partner in a Partnership. GP V has entered into a solicitation arrangement with FPG Partners LLC (“FPG”), pursuant to which it compensated FPG in connection with referrals that resulted in a potential investor becoming a limited partner in PC V. Any fees and expenses payable to FPG or any other placement agents retained by the Advisers will be borne by the Advisers directly.

## **15. CUSTODY**

The Management Company maintains custody of the Partnerships’ cash and securities held in the Partnerships’ name with JP Morgan Chase, Chicago, Illinois, MB Financial Bank, N.A., Chicago, Illinois, and Computershare Trust Company N.A., Canton, Massachusetts.

## **16. INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of the applicable Partnership. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Partnership Agreement of a Partnership may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in the Partnership may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this discretionary authority pursuant to the terms of (i) the Partnership Agreement, (ii) the investment management agreement between each Partnership, the applicable General Partner and the Management Company and (iii) powers of attorney executed by the limited partners of each Partnership.

## **17. VOTING CLIENT SECURITIES (PROXY VOTING)**

The Advisers have adopted the Prairie Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they will vote proxies, as applicable, for the Partnerships’ portfolio investments. The majority of “proxies” received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time.

The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Partnerships’ investors through the principals’ beneficial ownership interests in the Partnerships and therefore will not seek investor approval or direction when voting proxies. In the event that

there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of the board of advisers of the respective Partnership, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Prairie personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. The Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Partnerships.

If you would like a copy of Prairie's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Prairie's Chief Compliance Officer at (312)-360-1133, and it will be provided to you at no charge.

## **18. FINANCIAL INFORMATION**

The Management Company does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.