

Item 1. Cover Page

Parallel Investment Partners, LLC

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Part 2A of Form ADV: Firm Brochure
February 13, 2012

This brochure provides information about the qualifications and business practices of Parallel Investment Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 214-740-3600. 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.

Additional information about Parallel Investment Partners, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

Item 2 is not applicable to Parallel Investment Partners, LLC.

Item 3. Table of Contents

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Item 4. Advisory Business

For purposes of this brochure, the “Adviser” means Parallel Investment Partners, LLC (“Parallel”), a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). Such affiliates may or may not be under common control with Parallel, but possess a substantial identity of personnel and/or equity owners with Parallel. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as general partners of the Funds.

The Adviser provides investment supervisory services to pooled investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds make primarily long-term private equity and equity-related investments, as well as investments in debt instruments. In accordance with the Funds’ respective investment objectives, investments are generally made in lower middle market companies headquartered in the United States. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser may serve as the investment adviser or general partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an “Advisory Agreement”).

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund.

The principal owners of Parallel are F. Barron Fletcher, III, and Jared L. Johnson. Parallel was founded by Barron Fletcher in 1999 in partnership with Saunders, Karp & Megrue (“SKM”), a private equity firm that invested three pools of committed capital totaling over \$1.5 billion. Prior to founding the Adviser, from 1992 through 1999, Mr. Fletcher was one of the original senior investment professionals with SKM. In conjunction with raising SKM’s third pool of capital in 1999, SKM Equity Fund III, LP (“SKM Fund III”), Mr. Fletcher received a \$150 million allocation out of SKM Fund III specifically designated to Parallel’s lower middle-market investment strategy. This pool of capital is referred to herein as (the “Parallel 2000 Fund”). Mr. Fletcher established an independent investment team located in Dallas, TX to source, execute, manage and exit investments in the Parallel 2000 Fund. From 1999 through 2005, this team operated as SKM Growth Investors (“SKMGI”). In 2005, SKMGI spun out of SKM and re-branded as Parallel Investment Partners. In late 2005 and early 2006, Parallel raised an

independent pool of \$231 million of institutional capital referred to herein as Parallel 2005. Subsequent to its spin-off, Parallel continues to provide advisory services to SKM with respect to the Parallel 2000 Fund.

Fellow Managing Director, Jared L. Johnson, has been investing in lower middle-market growth companies for approximately 13 years. Mr. Johnson joined Parallel in 2003, and has sourced, executed, managed, and/or exited several portfolio investments during his tenure at Parallel. Prior to joining Parallel, Mr. Johnson was a Vice President with Summit Partners where he executed, managed, and/or led realizations on several portfolio investments.

As of December 31, 2011, the Adviser managed a total of \$369.1 million of client assets, all of which is managed on a discretionary basis.

Item 5. Fees and Compensation

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund a management fee (each, a “Management Fee”). Management Fees paid by a Fund are borne by investors in such Fund.

In addition, the Adviser and its affiliates may perform management, advisory, transaction-related, and other services (“Related Services”) for, and receive fees from, portfolio companies or other investment vehicles of the Funds, including fees in connection with monitoring and advisory services, mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. These fees may be substantial. Although these fees are in addition to the Management Fees, the Adviser will in some circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of such fees. The amount and manner of such reduction is set forth in the Advisory Agreement and/or organizational documents of the applicable Fund. For a discussion of material conflicts of interest created by the receipt of such fees, please see Item 11 below.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by the Adviser, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Advisory Agreement, organizational documents and/or other documentation received by each investor prior to investment in such Fund. The Management Fees and other fees and distributions described above are generally subject to waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors. The fee structures described above may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Management Fees billed to and received from the Funds are payable quarterly in advance. Upon termination of an Advisory Agreement, Management Fees that have been prepaid would generally be returned on a prorated basis as set forth in the Advisory Agreement and/or organizational documents of the applicable Fund.

While the Advisor has not engaged a placement agent to-date, it may do so in the future. The Management Fees paid by a Fund will generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in

such Fund to certain potential investors, as well as by fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund's limited partnership agreement or analogous organizational documents. In addition, the Adviser may seek to waive or reduce all or a portion of the Management Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees and affiliates of the Adviser to invest in such Fund.

To the extent provided in the Advisory Agreements and the partnership agreements and other organizational documents of the Funds, the Adviser will pay out of Management Fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, certain travel, entertainment, compensation of its partners and employees (other than Carried Interest described in Item 6 below) and other customary expenses relating to the services and facilities provided by the Adviser to the Funds. Each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including deal sourcing-related costs (including travel), legal, accounting, investment banking, consulting, insurance, research, brokerage, finders', custody, transfer, registration, advisory board, interest, taxes and extraordinary expenses, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such Fund in connection with such Fund's operations that are not specifically set forth above as being paid by the Adviser. Additionally, please see Item 6 below regarding "Carried Interest" that Funds may pay.

Although the Adviser does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular investment within a Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

A portion of the profits of each Fund may be distributed to its general partner, if any, as "carried interest" (the "Carried Interest"). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. The amount and eligibility of any Carried Interest payments are set forth in the organizational documents of the applicable Fund.

Item 7. Types of Clients

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally "qualified purchasers" as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

Methods of Analysis and Investment Strategies

The Adviser is a sector-focused private equity firm committed to investing exclusively in North American lower middle-market growth companies and focuses on entrepreneurial businesses primarily in the Consumer, Energy Services, and Marketing-Driven B2B sectors. The Adviser believes its deep experience with and continuous focus on these core industry categories enable it to be highly selective choosing investment opportunities to pursue, efficiently make informed investment decisions, and effectively guide its portfolio companies to build the necessary internal resources to drive accelerated growth and long-term value creation.

The Adviser's objective is to deliver superior returns by creating equity value primarily through earnings before interest, taxes, depreciation and amortization ("EBITDA") growth. Parallel seeks to invest in companies with promising business models to which to apply its industry knowledge, growth company investment experience, and strategic resources with the objective of transforming such companies from entrepreneurial businesses into leading middle-market growth companies. Parallel seeks investments that feature opportunities for breakout results while employing conservative transaction structures. Parallel's investment strategy is based on five core investment tenets:

- Focus on lower middle-market growth companies
- Leverage expertise, capabilities, and resources in targeted industry sectors
- Identify business models with opportunities to achieve breakout results
- Employ value creation methodology to add value to each company
- Support growth and mitigate investment risk through conservative transaction structures

The Adviser seeks to invest in recapitalizations, growth capital investments and opportunistic buyouts involving privately held companies. Target investment size typically ranges from \$10 million to \$25 million in equity or equity-related securities. The Adviser expects that a typical portfolio company of a Fund will have minimum revenues of \$10 million and minimum EBITDA of \$3 million at the time of the initial investment.

The Adviser's investment process begins with a nationwide deal-sourcing platform that generates investment opportunities. When evaluating investment opportunities, investment professionals screen each opportunity, typically involving one of the Adviser's operating partners in the evaluation to gain further insight into the opportunity and either verify or challenge the Adviser's initial assessment of such opportunity. The screening process focuses on

understanding a potential portfolio company's strategic position within its market; identifying a potential portfolio company's significant business value creation opportunities; evaluating the strength and depth of its management team; and understanding the scope of due diligence required to close the transaction. The investment team's initial determination of the value that can be created from each investment opportunity is an important part of the evaluation process.

Risks

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

- *No Assurance of Investment Return:* the Funds' task of identifying, negotiating and managing portfolio investments and realizing a significant return for investors is difficult. Many similar private equity funds have been unable to successfully make, manage and realize profits on such investments. There is no assurance that the Funds will be able to invest capital on attractive terms, generate returns for the investors or return the capital contributed by them.
- *Nature of Fund Investments:* most portfolio investments will be highly illiquid, and there can be no assurances that the Funds will be able to realize a return on such investments in a timely manner or at attractive prices. As a result, investment in the Funds requires a long-term commitment, with no certainty of return. It is unlikely that there will be near-term cash flow available to limited partners. In some circumstances, limited partners may receive distributions in kind. The illiquidity of the Funds' investments results from several factors, including the following:
 - Portfolio investments typically involve the purchase of privately-issued securities that cannot be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act. Registering securities under the Securities Act requires a substantial investment of the principals' time and attention and a substantial investment of cash by the issuer of those securities. There can be no assurances that private purchasers will be found for the Funds' investments or that a market for the securities held by the Funds would exist even following registration.
 - The cultivation of a portfolio investment for disposition, together with the disposition itself, may involve a substantial amount of time. Even when a portfolio investment is successfully disposed, some of the consideration

may be deferred through the use of earn-outs, promissory notes, escrows, holdbacks and other similar arrangements.

A substantial portion of the portfolio investments will be in equity or equity-related securities which by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk and can result in substantial losses. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

- *Leverage:* certain portfolio investments may be in portfolio companies with significant levels of debt. Although the Funds will seek to use leverage in a manner the principals believe is prudent, the leveraged capital structure of portfolio companies may increase the exposure of those companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the portfolio company or its industry. Because the securities in which the Funds typically invest may be among the most junior in a portfolio company's capital structure, the inability of a portfolio company to service its debt obligations could result in a loss of the Fund's investment.
- *Portfolio Company Projections:* the Adviser will evaluate investment opportunities and establish the capital structure of portfolio companies based on financial projections, and actual results may vary significantly from the projections. These projections will generally be based upon certain assumptions and upon information provided by representations and judgments made by management of the relevant investment opportunity or portfolio company. These projections will be only estimates of future results and, therefore, there can be no assurance that the projected results will be achieved. Actual results may vary significantly from the projections, and general economic conditions and other factors out of the control of the Adviser may negatively impact the reliability of the financial projections.
- *Minority Investments:* a significant (though less than a majority) of portfolio investments will represent minority interests in portfolio companies and the Funds may hold minority voting positions on the boards of directors of certain portfolio companies. While the Adviser will make every effort to structure minority investments to maximize the ability of the Funds to influence the management and direction of the portfolio company, in the case of minority investments, the Funds may not be able to control or exercise substantial influence over such portfolio company.
- *Reliance on Management of Portfolio Companies:* although the Funds will seek to invest in portfolio companies in which the opportunity exists to insert a proven operating management team, or a proven management team is already in place, there can be no

assurance that such management will continue to operate successfully. Although the Adviser and each Fund's operating partners will monitor the performance of each investment, the Funds will rely upon portfolio company management to operate the portfolio companies on a day-to-day basis.

- *Lack of Diversification*: while, in general, no more than 20% of the capital commitments of a Fund will be invested in any one portfolio company, the Funds, by their nature, will only make a limited number of portfolio investments. Poor performance by a few of the investments could severely affect the total returns to the limited partners.
- *Restrictions on Transfer and Withdrawal*: investment in the Funds requires the financial ability and willingness to accept significant risk and illiquidity. An investment in the Funds requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to limited partners. The interests in the Funds (the "Interests") have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. In addition, the Interests are not transferable except with the consent of the general partners, which generally may be withheld by the general partners in such general partner's sole discretion, and are subject to the terms and conditions of the applicable partnership agreements. Limited partners generally may not withdraw capital from the Funds. Consequently, limited partners may not be able to liquidate their investments prior to the end of the applicable Fund's term.
- *Difficulty of Locating Suitable Investments*: the success of the Funds depends on the ability of the Adviser to identify suitable portfolio investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments on favorable terms. Although the principals have been successful in identifying suitable investments in the past, there can be no assurances that there will be a sufficient number of suitable investment opportunities to enable the Funds to invest all of its capital commitments in opportunities that satisfy the Funds' investment objectives, or that such investment opportunities will lead to completed investments by the Funds. Identification of attractive investment opportunities generally will be subject to market conditions. Competition for such opportunities is expected to be substantial.
- *Dependence on Key Personnel*: the success of the Funds depends, in substantial part, on the skill and expertise of the Adviser's key employees. There can be no assurance that any of those individuals will continue to be employed by the Adviser throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds.
- *No Right to Control the Fund's Operations*: limited partners will have no opportunity to control the day-to-day operations of the Funds, including investment and disposition decisions. In order to safeguard their limited liability for the liabilities and obligations of the Funds, limited partners must rely entirely on the general partners and the Adviser to conduct and manage, respectively, the affairs of the Funds.

- *Risks Arising from Provision of Managerial Assistance:* the Adviser will attempt to structure the Fund's portfolio investments so that each investment will qualify as a "venture capital operating company" within the meaning of regulations promulgated by the Department of Labor under ERISA, which requires that the Funds obtain rights to participate substantially in and to influence substantially the conduct of the management of the majority (valued at cost) of the Funds' portfolio companies. In addition, the Funds typically will designate directors to serve on the boards of directors of portfolio companies. The designation of representatives and other measures contemplated could expose the assets of the Funds to claims by a portfolio company, its security holders and its creditors, including claims that the applicable Fund is a controlling person and thus is liable for securities laws violations of a portfolio company (to the extent not offset by insurance coverage at the applicable Fund or portfolio company level). These measures also could result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company; could result in claims against the Funds if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; and could expose the Funds to claims that it has interfered in management to the detriment of a portfolio company (to the extent not offset by insurance coverage at the applicable Fund or portfolio company level).
- *Risks Upon Disposition of Portfolio Investments:* in connection with the disposition of a portfolio investment, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. Although the Adviser attempts to structure transactions so that it does not have to do so, the Funds may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the partners. The applicable partnership agreement may contain provisions to the effect that if there is any such claim in respect of a portfolio company, it may be funded by the partners to the extent that they have received distributions from the Funds, subject to certain limitations.
- *Consequences of Default:* in the event that a limited partner fails to fund any portion of its capital commitment when due, such limited partner could be subject to the default provisions under the applicable partnership agreement.
- *Risks Relating to Carried Interest:* the fact that a general partner is entitled to distributions based on the performance of the Funds may create an incentive for a general partner to cause the Funds to make investments that are more speculative than would be the case in the absence of performance-based distribution. However, this incentive may be tempered somewhat by the fact that losses will reduce the Funds' performance and thus the distributions to the general partners.

- *Reinvestment*: certain proceeds distributable (or previously distributed) to the limited partners may qualify for reinvestment (or to be recalled for reinvestment) by the general partners. Accordingly, a limited partner may be required to fund an aggregate amount in excess of its capital commitment, but at no time will a limited partner have aggregate capital at risk in excess of its capital commitment. Regardless, during the investment or commitment period of a Fund, Management Fees may be calculated on the total amount of capital commitments, and may thereafter be calculated on invested capital.
- *Absence of Regulatory Oversight*: while the Funds may be considered similar in some ways to an investment company, they are not required and do not intend to register as such under the Investment Company Act and, accordingly, limited partners will not have the benefit of the protections of the Investment Company Act.
- *Relation of Previous Investment Experience*: The prior investment results of the principals or any other person described herein are provided for illustrative purposes only and are not indicative of the Funds' future investment results. The nature of and risk associated with the Funds' portfolio investments may differ from those investments and strategies undertaken historically by the Funds, the principals or any other person. Past performance is no guarantee of future performance. There can be no assurance that portfolio investments will perform as well as the past investments of the Funds or any other person described herein or that the Funds will be able to avoid losses.
- *Bankruptcy of Portfolio Companies*: the Funds may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state laws in connection with such bankruptcy proceedings could operate to the detriment of the Funds. There is also a risk that a court may subordinate the Funds' investment to other creditors or require the Funds to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the Funds have management rights in such portfolio company.

Item 9. Disciplinary Information

Item 9 is not applicable to the Adviser.

Item 10. Other Financial Industry Activities and Affiliations

Related General Partners

Various limited partnerships serve as general partners of the Funds, and the general partners are ultimately responsible for the day-to-day management and the investment decisions of the Funds. The general partner of the Parallel 2005 fund was formed by the principals and other investment professionals of the Adviser. The general partners have delegated many of their duties to the Adviser. The general partners make capital commitments to the Funds and receive carried interest as specified in each Fund's organizational documents. For a description of material

conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

Code of Ethics

The Adviser has adopted a written Code of Ethics that is applicable to all of its managing directors, principals, partners, officers and employees (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Attention of Robert Taylor, 2100 McKinney, Suite 1200, Dallas, Texas, 75201, or rtaylor@parallelip.com.

Participation or Interest in Client Transactions

Certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. A Fund or its general partner, as applicable, may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of

these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for the Funds;
- Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Conflicts

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Funds;
- Any co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Fund(s) (the investors in such co-investment vehicles may include employees, business associates, and other “friends and family” of the Adviser or its personnel; individuals and entities that are also investors in one or more Funds (“Adviser Investors”); and/or individuals and entities that are not investors in any Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make investments side-by-side with one or more Funds in particular transactions entered into by such Fund(s); and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

In recognition of its fiduciary duties, it is the policy of the Adviser to treat the Funds fairly and equitably in the allocation of investment opportunities and transactions more generally. The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements may be set forth in the instrument under which the Fund was established (such as a Fund’s limited partnership agreement or private placement memorandum), or in side letters. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The Adviser must first determine which Funds will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies and structure. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s offering memoranda and organizational documents. Prior to making any allocation to a Fund of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** the Adviser may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund’s offering documents and/or organizational documents.
- **Related Investments:** the Adviser may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** the Adviser may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Funds that will participate in a particular investment have been identified, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, the following:

- Each Fund's investment objectives and investment focus;
- Each Fund's liquidity and reserves;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- Risk considerations;
- Cash flow considerations;
- Investment or asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Fund.

The Adviser will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Fund or class of Funds in relation to any other Funds. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund, (ii) the profitability of any Fund or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Fund.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons, and (iv) certain persons other than investors in the Funds (e.g., Third Parties) may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-

investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;

- Any confidentiality concerns the Adviser may have that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- The Adviser's evaluation of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;
- The Adviser's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds.

The Adviser's exercise of its discretion in allocating investment opportunities among the persons, including the Funds, potential co-investors, Adviser Investors and Third Parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

The Adviser will allocate fees and expenses to be borne by the Funds in accordance with the Fund organizational documents and advisory agreements or, to the extent not addressed in such documents or agreements in its sole discretion, in each case using good faith and its best judgment.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, certain employees of the Adviser invest indirectly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Conflicts Related to Purchases and Sales

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. The possibility exists in which certain clients of the Adviser and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. The interests of such client may be in conflict with the interest of such other client, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of the Adviser in a portfolio company may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore, may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

Cross-Transactions

In certain cases, the possibility may exist for the Adviser to elect to cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Management Committee will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtains any required approvals of the transaction's terms and conditions (including appropriate communication and approvals from the applicable Funds' advisory committees). The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Fund where the Adviser may be deemed to own more than 25% of the Fund, unless such transaction complies with the requirements of the Adviser's principal transactions policy as described below.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. Although the Adviser does not intend to do so, the possibility exists that, in connection with the Adviser's management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents, limited partnership

agreements or other organizational documents and related documents relating to the Funds generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

Management of the Funds

The Adviser manages a number of Funds that may have investment objectives similar to each other. The Adviser may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See “*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*” above. In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Follow-on Investments

The Adviser seeks to manage the remaining capital commitments with respect to each Fund to enable such Fund to invest in follow-on acquisitions or recapitalization transactions involving such Fund’s portfolio companies. However, in certain cases, investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Conflicts Relating to the General Partner and the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives

financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

Fee Structure

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of the Funds are entitled to Carried Interest under the terms of the limited partnership agreements of such Funds. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest may create an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Related Services

As described in Item 5 above, the Adviser and its affiliates may perform Related Services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Advisory Fees or Carried Interest paid by the Funds to the Adviser. This creates a conflict of interest between the Adviser and its affiliates and the Funds and their investors because the amounts of these fees may be substantial and the Funds and their investors generally do not have a full interest in these fees. The Adviser determines the amount of these fees for Related Services in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees may not (except in connection with the reductions described below) be disclosed to investors in the Funds. The Adviser and its affiliates will in some circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the Advisory Agreement and/or organizational documents of the applicable Fund.

Diverse Membership

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Business with Portfolio Companies and Investors

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Funds have invested, there may be situations where the Adviser is in the position of recommending portfolio company services to other portfolio companies. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds.

The Adviser may have an incentive to recommend the products or services of certain investors in the Funds or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

The Adviser may have service providers, including for example, investment bankers or lenders, who are investors in Funds and/or who provide services to businesses that are competitors of the Adviser. The Adviser may have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in a Fund. The general partner of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

Positions with Portfolio Companies

Employees of the Adviser may serve as directors of portfolio companies. Such employees are required to remit any remuneration they may receive as directors to the applicable Funds pursuant to the fee sharing terms of such Fund. In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Employees generally are prohibited from receiving consulting, management or other fees personally from portfolio companies, but may do so in certain unique circumstances.

Side Letter Agreements

The Adviser may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Other Potential Conflicts

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may represent one or more portfolio companies or investors in a Fund and/or be investors in a Fund,. In the event of a significant dispute or divergence of interest between Funds, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required.

The Adviser may, in its discretion, have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The partnership agreements (or analogous organizational documents) of certain Funds permit the general partner of each such Fund to cause such Fund to distribute such general partner's share of securities resulting from an investment disposition by such Fund to such general partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partners and the limited partners of the applicable Fund, because the general partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the general partner was prohibited from receiving its proceeds from investments in kind (or

was otherwise required to receive its share of investment proceeds in the same form as limited partners).

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's general partner to withhold information from certain limited partners or investors in such Fund in certain circumstances.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

Item 12. Brokerage Practices

As Funds invest primarily in private equity transactions, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Brokers and Dealers

For each of the Funds, the Adviser has, subject to the direction of such Fund's general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser may also consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals. Although it has not done so to date, the Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of the Fund. A conflict of interest exists when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

Aggregation of Trades

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates would generally seek to aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes Managing Directors and other investment professionals of the Adviser.

Reporting

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund, as well as quarterly performance reports within 45 days after each fiscal quarter end and other information as specified by the applicable Fund's organizational documents. The Adviser and the applicable general partner, if any, may from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of Funds.

While not a client solicitation arrangement, the Adviser may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors, although it has not done so to date. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Such Fund may, subject to any limitations set forth in its partnership agreement or other organizational documents, reimburse such fees.

Item 15. Custody

Each Fund has retained a "qualified custodian" to hold the assets of the Fund in a separate account in the Fund's name. Each Fund also has engaged an "independent public accountant" to perform an annual audit of the Fund. Annual audited financial statements of the Fund prepared in accordance with generally accepted accounting principles are distributed to investors within 120 days of the end of the Fund's fiscal year.

Item 16. Investment Discretion

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or

organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund.

Item 17. Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund’s holdings, taking into account the relevant Fund’s investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the Votes. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. 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 Adviser’s Management Committee, the costs associated with voting such Vote outweigh the benefits to the relevant Fund or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Fund.

Funds generally cannot direct the Adviser’s Vote.

All Votes are coordinated by the appropriate lead investment professional covering the particular investment, and in most cases the investment professional will make the voting decision for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available. The investment professional will inform the CCO of any such Voting decision, and if the CCO does not object to such decision as a result of his conflict of interest review, the Vote will be voted in such manner. If the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the Management Committee will be consulted to review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds’ holdings.

The Adviser’s CCO has the responsibility to monitor Votes for any actual or perceived conflicts of interest. All Votes will require a mandatory conflicts of interest review by the CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser’s CCO will use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his assessment of the best interests of the Funds.

The Adviser's CCO shall have the power to retain independent fiduciaries, consultants, or other professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to the Adviser's CCO at 214-740-3600.

Item 18. Financial Information

Item 18 is not applicable to the Adviser.

Item 19. Requirements for State-Registered Advisers

Item 19 is not applicable to the Adviser.