

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**EVERGREEN PACIFIC PARTNERS MANAGEMENT COMPANY,  
INC.**

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**February 10, 2012**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Evergreen Pacific Partners Management Company, Inc. (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (206) 262-4709. 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).

## **MATERIAL CHANGES**

The Management Company is a newly registered investment adviser and this is its initial Brochure. For future Brochures, this page will describe any material changes made since the previous Brochure.

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## ADVISORY BUSINESS

Evergreen Pacific Partners is a private investment management firm, including several investment advisory entities and other organizations affiliated with the Management Company (collectively, “**EPP**”).

The Management Company, a Delaware corporation and a registered investment adviser, provides investment advisory services to private investment funds. The Management Company commenced operations in February 2004.

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

- Evergreen Pacific Partners GP, LLC (“**GP I**”)
- Evergreen Pacific Partners II GP, L.P. (“**GP II**,” and together with GP I, the “**General Partners**”).

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

- Evergreen Pacific Partners, L.P. (“**Fund I**”)
- Evergreen Pacific Partners II, L.P. (“**Fund II**”)

Each General Partner listed above is registered under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with the Management Company. The Management Company and each General Partner are under common control.

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.

The Partnerships and any other Private Investment 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 the terms of 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, the senior principals (the “**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 Private Investment Funds are further described in their respective private placement memoranda and limited partnership agreements, and are also generally described below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." Investors in Private Investment Funds participate in the overall investment program for the applicable Partnership, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing a Fund's limited partnership agreement.

As of December 31, 2011, the Management Company managed \$700 million in client assets on a discretionary basis. The Management Company is principally owned by Timothy D. Bernardez, Thomas J. McGill and Michael A. Nibarger.

## FEES AND COMPENSATION

The following is a general description of fees, compensation, and expenses of the Partnerships. Differences exist from Partnership to Partnership, and certain Partnerships may not charge certain fees, compensation, or expenses that other Partnerships charge. The Partnership Agreements of the Partnerships describe fees, compensation and expenses in greater detail.

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners or other EPP entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Partnerships and a portion of such additional compensation will offset in part the Management Fees otherwise payable to the applicable General Partner. Investors in the Partnerships also bear certain fund expenses.

### Management Fee

Each Partnership generally pays the applicable General Partner a management fee (the "**Management Fee**") equal to 2% on an annual basis of aggregate Partnership investor capital commitments ("**Commitments**"). The Management Fee is paid based on semi-annual periods payable partially in arrears and partially in advance. A portion of the Management Fees is ultimately received by the Management Company. Investors participating in a closing after the initial closing of a Partnership bear the Management Fee from the date of the initial closing of such Partnership, plus applicable interest. The Management Fee may be reduced upon the expiration of the investment period or earlier upon the occurrence of certain other events as described in the applicable Partnership's limited partnership agreement (each, a "**Partnership Agreement**"). The Management Fee will be payable until all portfolio investments are distributed or until the General Partner's relationship with the applicable Partnership is terminated for other reasons (as described in the Partnership Agreement). Installments of the Management Fee payable for any period other than a full six-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee is reduced by a portion of the directors' fees, transaction fees, breakup fees and certain other fees paid by portfolio companies to a General Partner, the Management Company or certain of their affiliates (such fees, "**Supplemental Fees**"). To the

extent that such an offset credit would reduce the Management Fee for a given 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 a 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 Private Investment Fund or any other entity or individual co-invests alongside the Partnership in any portfolio company investment, any Supplemental Fees will be allocated *pro rata* among the Partnership and the co-investors in proportion to the cost of the investment in the portfolio company borne by each.

As permitted under the Partnership Agreement for each Partnership, the General Partner may waive or reduce a portion of the Management Fee in exchange for a reduction in the General Partner's capital contribution obligation and/or a corresponding interest in Partnership profits. The limited partners of the Partnership (the "**Limited Partners**") 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 General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver or reduction may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above.

### **Carried Interest**

The General Partner of each Partnership will receive a carried interest with respect to such Partnership equal to 20% of all realized profits subject, to an 8% compound preferred return and related General Partner catch-up provision, as more fully described in the Partnership Agreement of the applicable Partnership. The carried interest distributed to the General Partner is subject to a potential giveback at the end of the life of the Partnership if the General Partner has received excess cumulative distributions.

### **Other Information**

The Partnerships and other Private Investment Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the applicable Partnership, and investors generally are not permitted to withdraw or redeem interests in the Partnership.

Principals or other employees of EPP may receive a portion of the Management Fee, carried interest or other compensation received by the General Partners or their affiliates.

In addition to the Management Fee and carried interest payable to the General Partner, each Partnership bears certain expenses. As set forth in the Partnership Agreement for the applicable Partnership, the Partnership bears all Partnership expenses to the extent not paid by portfolio companies, including organizational expenses up to the expense cap specified in the Partnership Agreement, legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Partnership's financial statements, tax returns and Schedule K-1s; out of pocket expenses incurred in connection with transactions not consummated; expenses of any advisory board of Limited Partners and meetings of the Limited Partners; insurance; other expenses associated with the acquisition, holding and disposition of its

investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Partnership, but not ordinary administrative and overhead expenses of the General Partner incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the Partnership Agreement. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

#### **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 advise Private Investment Funds not subject to a carried interest, although the General Partners may waive carried interest with respect to certain affiliated Limited Partners in the applicable Fund. See "Methods of Analysis, Investment Strategies and Risk of Loss," for further discussion of conflicts of interest.

#### **TYPES OF CLIENTS**

The Advisers provide investment advice to the Partnerships. The Partnerships 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 the Partnerships 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.

Fund I and Fund II have minimum investments of \$1 million and \$5 million, respectively, for third-party investors, which may be waived by the applicable General Partner. Generally, investors must be "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended, and may also be required to be either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act of 1940, as amended. The General Partners may waive such minimum investment amounts and qualification requirements.

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

##### **General**

The principal investment strategy of the Advisers is to achieve superior risk-adjusted returns, primarily by acquiring equity and equity-related securities and debt in private growth-oriented companies. The Advisers generally focus on middle market buyouts and growth equity investments in companies principally located in Western North America with annual revenues typically between \$50 million and \$350 million. The Advisers intend to make investments in portfolio companies operating primarily in traditional industry segments including: (i) manufacturing and distribution; (ii) packaging; (iii) media (radio and cable); and (iv) consumer. Investments are predominantly in non-public companies although investments in public companies are permitted.

*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**

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 Governing Documents for each Partnership. There can be no assurance that the Advisers will achieve the investment objectives of the Partnerships and a loss of investment is possible.

The Advisers intend to continue a regimented investment process, developed and refined during the Principals' investing and operating experience. The Advisers' investment process consists of:

- Direct transaction origination leading to investments in quality companies.
- Disciplined execution focused on identifying and mitigating risks, developing appropriate capital structures and synthesizing all information to document and make investment decisions.
- Operational improvements at portfolio companies in partnership with management to generate cash flow growth.
- Exiting from investments at an appropriate time based on company performance and market timing through sales to either financial or strategic buyers.

*Direct Transaction Origination.* Applying the filters of geography, size and industry associated with the Advisers' investment strategy allows the Principals to focus their origination efforts on the approximately 5,000 companies resident in the Advisers' target markets. The Advisers believe this focus allows the Principals to execute a direct origination strategy, coordinating efforts on a select group of target companies to acquire businesses with less competition and at attractive valuations. The Advisers focus on long-term relationships with business owners and leaders in the target market, positioning the Advisers to seek transactions on a direct basis.

*Disciplined Execution.* After a transaction has been originated, the Principals launch a disciplined execution process consisting generally of the following:

- Negotiation of a non-binding letter of intent detailing key transaction terms and granting the Advisers exclusivity for a period of time.
- Examination of all aspects of the target company including:
  - Detailed forensic accounting due diligence to determine quality of earnings generally supported by a "big four" accounting firm.
  - Detailed business due diligence supported by industry leading consultants.



- Creation of an appropriate capital structure using senior, mezzanine and seller financing and equity.
- Finalization of the investment decision.
- Finalization of the capital structure and purchase documents and closing.

*Operational Improvements and Cash Flow Growth.* The Advisers partner with management to seek to drive cash flow growth at the acquired portfolio company. Typically, the process consists of the following key components:

- Augmenting management.
- Partnering with management to finalize strategy.
- Optimizing performance by executing against key business drivers.
- Providing capital to facilitate growth.

*Exit.* The Advisers seek to invest in target portfolio companies with a defined path to liquidity. The Advisers' exit process typically involves:

- Holding investments for four to seven years.
- Monitoring M&A activity in industry.
- Targeting financial and strategic buyers in an efficient auction.

## **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 each Partnership's private placement memorandum. In general, these risks include, but are not limited to:

1. *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 that can result in substantial losses.
2. *Future and Past Performance.* The performance of the Advisers' prior investments 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 the targeted internal rate of return will be achieved. On any given investment, loss of all or any portion of principal is possible. There can be no assurance that any Partner will receive any distribution from the Partnership. Accordingly, an investment in the Partnership should only be considered by persons who can afford the loss of their entire investment.

3. Investment in Junior Securities. The securities in which the Partnership will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.
4. Concentration of Investments. The Partnership will participate in a limited number of investments and may seek to 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. Furthermore, to the extent that the capital raised is less than the targeted amount, the Partnership may invest in fewer portfolio companies and thus be less diversified.
5. Lack of Sufficient Investment Opportunities. It is possible that the Partnership will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Limited Partners will be required to pay annual management fees during the investment period based on the entire amount of their Commitments.
6. Illiquidity; Lack of Current Distributions. An investment in the Partnership should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Partnership (including the annual Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Partnership's capital.
7. Leveraged Investments. The Partnership may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Partnership's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. 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. 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 determines 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 with its forecasts. Moreover, the companies in which the Partnership will invest generally will not be rated by a credit rating agency.

8. *Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Partnership's investments, and hence, most of the Partnership's investments will be difficult to value. Certain investments may be distributed in kind to the Partnership's partners.
9. *Reliance on Portfolio Company Management.* Although the General Partner 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 existing management, or any successor, of such companies will be able or willing to successfully operate a company in accordance with the Partnership's objectives. An investment by a third party in a portfolio company involves risks, including the possibility that a third party investor may have economic or business interests or goals that are inconsistent with those of the Partnership or may be in a position to take (or block) actions in a manner contrary to the Partnership's investment objectives.
10. *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.
11. *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. Additionally, such failure to make such investments may result in a lost opportunity for the Partnership to increase its participation in a successful

portfolio company or the dilution of the Partnership's ownership in a portfolio company if a third party invests in such portfolio company.

12. *Non-U.S. Investments.* The Partnership may invest in portfolio companies that are organized 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), 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 its partners with respect to the Partnership's income, and possible non-U.S. tax return filing requirements for the Partnership and/or its partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) possible political or social instability; and (e) 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.

13. *Portfolio Company Directors.* The Partnership will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Such representatives will be required to make decisions that consider the best interests of the respective portfolio companies. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interest of such portfolio company (or a third party, such as a creditor) may not be in the best interests of the Partnership, and vice versa. Additionally, serving on the board of directors of a portfolio company exposes the Partnership's representatives, and ultimately the Partnership, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.
14. *Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Partnership's performance can be affected by deterioration in public markets and by market events, which can impact the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Partnership's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing.
15. *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Partnership to obtain favorable financing for

investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. The Partnership's ability to generate attractive investment returns may be adversely affected to the extent the Partnership is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Partnership to realize its investments at favorable times or for favorable prices.

### **Conflicts of Interest**

During the investment period of each of the Partnerships, the Principals pursue all appropriate investment opportunities exclusively through the Partnerships, subject to certain exceptions. However, the Principals will typically manage several other Private Investment Funds and investments similar to those in which the Partnerships invest, and may direct certain relevant investment opportunities to those Private Investment Funds and investments rather than to the Partnerships. The Principals and the Advisers' investment staff will continue to manage and monitor such Private Investment Funds and investments. The significant investment of the Principals in each of the Partnerships, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the limited partners in the Partnerships, although the Principals have economic interests in such other Private Investment Funds and investments as well and receive management fees and carried interests relating to these interests. Such other Private Investment Funds and investments that the Principals may control may compete with the Partnerships or companies acquired by the Partnerships. Following the investment period of the Partnerships, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Partnerships' investments.

From time to time, the Principals will be presented with investment opportunities that would be suitable not only for the Partnerships, but also for other Private Investment Funds operated by EPP. In determining which investment vehicles should participate in such investment opportunities, the Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. The Advisers and their affiliates attempt to resolve such conflicts of interest in light of their obligations to investors in the Partnerships and other Private Investment Funds, and attempt to allocate investment opportunities among the Partnerships and such other Private Investment Funds in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from an advisory committee consisting of limited partners of the Partnerships and such other investment vehicles.

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. However, the Advisers believe

that the carried interest does not create a conflict of interest with respect to the Partnerships and instead operates to align the interests of the Advisers with that of the Partnerships.

Since 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 Advisers manage such conflicts by partially offsetting the Management Fee with such Supplemental Fees. In addition, the potential conflict is further mitigated by the fact that such Supplemental Fees are generally negotiated with the applicable portfolio company’s management team.

### **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.

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

As described under “Advisory Business” above, the Management Company is affiliated with 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 General Partners operate as a single advisory business together with the Management Company and serve as general partners of Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted the EPP Code of Ethics and Securities Trading Policy and Procedures (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, among other things, the Advisers’ personnel to report their personal securities transactions and prohibits the Advisers’ personnel’s direct or indirect acquisition of beneficial ownership of securities in an initial public offering or in a limited offering, in each case, without first obtaining approval from the Advisers’ Chief Compliance Officer. In addition, the Code requires such personnel to comply with 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 client or prospective client upon request to Timothy Brillon, EPP’s Chief Compliance Officer, at (206) 262-4709. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client-eligible 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 an investor’s 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 client of the Advisers. 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 to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of EPP personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Partnerships.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds or certain co-investment vehicles. The Advisers believe that such interests do not create a conflict of interest and instead operate to align the interests of the Advisers' personnel with that of the Private Investment Funds. The Partnerships and other Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of the General Partner in the manner set forth in the applicable Partnership Agreement. The Advisers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Advisers' fiduciary obligations and consistent with the applicable Private Investment Funds' underlying documents.

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

Although they have not generally done so, the General Partners have the authority to borrow funds on behalf of the Partnerships and contribute such borrowed amounts to the Partnerships as a special capital contribution for investment, to be repaid at a later date. Interest in connection with such borrowing is borne by the Partnerships 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 Partnerships, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Partnerships. The General Partners will effect such borrowings in a manner that they believe to be fair and equitable to the Partnerships and consistent with the General Partners' obligations to the Partnerships and the applicable Partnership Agreement (or other governing document).

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in the Partnerships or sell such securities, including through a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, the Advisers follow the brokerage practices described below.

If an Adviser sells publicly traded securities for a Partnership, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, 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 at the current time and have not made use of such services since EPP's inception. If an Adviser were to use such brokers, it would receive a benefit from such brokers because it would not have to pay for such research. In addition, Private Investment Funds may pay higher commissions than those charged by other broker-dealers that do not provide such research. As a general matter, research provided by these brokers would be used to service all of EPP's Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund.

To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on their interest in receiving such research or other products or services, rather than based on the Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that an Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund is favored over any other



Private Investment Fund. If such 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 Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Fund. Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on the Private Investment Fund's interest in receiving most favorable execution.

#### **REVIEW OF ACCOUNTS**

The investments made by the Private Investment 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 Private Investment Funds invest, and the EPP Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Partnerships generally will provide to their Limited Partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each Limited Partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company annually.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

As described under "Fees and Compensation," the Advisers and/or their affiliates may receive certain Supplemental Fees from the Partnerships' portfolio companies. As described in the applicable Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Partnerships. However, in other cases, these fees would be in addition to Management Fees. See "Fees and Compensation."

The Advisers or their affiliates may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by the Advisers indirectly through an offset against the Management Fee.

## **CUSTODY**

The Advisers maintain custody of the Partnerships' assets held in the Partnerships' names with the following qualified custodians:

- Merrill Lynch, Venture Services Group, 600 California Street, 8th Floor, San Francisco, CA 94108
- Square 1 Bank, 406 Blackwell Street, Suite 240, Durham, NC 27701

## **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 the Partnership Agreement between each Partnership, the applicable General Partner and the Management Company and powers of attorney executed by the Limited Partners of each Partnership.

## **VOTING CLIENT SECURITIES**

The Advisers have adopted the EPP Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for the Partnerships' portfolio investments. 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 an advisory board of Limited Partners on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers not consider service on portfolio company boards by EPP 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. In addition, 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 EPP's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Timothy Brillon, EPP's Chief Compliance Officer, at (206) 262-4709, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

The Management Company does not require or solicit prepayment of management fees more than six months in advance and is not otherwise required to make any other disclosure under this item of the Brochure.