

February 2012

ZM Capital Advisors, L.L.C.
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of ZM Capital Advisors, L.L.C. (“ZM”). If you have any questions about the contents of this brochure, please contact Brian Motechin at (212) 944-2056. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ZM is also available on the SEC’s website at:
www.adviserinfo.sec.gov.

The Advisor is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

This Brochure, dated February 2012, is the first brochure prepared by **ZM** in accordance with the SEC’s new requirements and rules pertaining to Form ADV as established on July 28, 2010. We encourage all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item will discuss only specific material changes that have been made since the most recent annual update and provide a summary of such changes. It will also reference the date of the last annual update of the Brochure.

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Item 4: Advisory Business

ZM is an independent private equity firm formed under the laws of the state of Delaware as a limited liability company. ZM is 100% owned by its Partners Strauss Zelnick, Ben Feder, Karl Slatoff, Jordan Turkewitz and Andrew Vogel.

ZM serves as an investment advisor and provides discretionary advisory services to related investment vehicles including private investment partnerships. Currently, this includes ZM Capital L.P. (the “ZM Fund”), ZM Capital CRT Investment, L.P., ZM Capital Alloy Digital Investment L.P., ZM Capital Femto Investment L.P. and ZM Titan Investments, L.P. (collectively and together with the ZM Fund, the “ZM Funds”). The ZM Funds seek to make private equity investments in

middle-market media companies and specifically target special situations, management turnarounds and transitional growth opportunities. The ZM Funds will generally seek investments ranging from \$10 to \$30 million in companies with enterprise values typically ranging from \$50 to \$250 million.

ZM was established in 2001 by Mr. Zelnick and Mr. Feder to make private equity investments in media-related companies. From the formation of ZM in 2001 until the formation of the ZM Fund in 2008, ZM made seven private equity investments in media-related companies (the “non-ZM Fund Investments”). ZM continues to provide management and advisory services to the non-ZM Fund Investments for fees and certain performance-related payments.

As of February 15, 2012, ZM managed approximately \$170 million on behalf of the ZM Funds on a discretionary basis.

ZM does not participate in wrap fee programs.

In providing services to the ZM Funds, ZM formulates the investment objective for each ZM Fund, directs and manages the investment and reinvestment of each ZM Fund’s assets, and provides periodic reports to investors in each ZM Fund. Investment advice is provided directly to each ZM Fund and not individually to the limited partners of the Funds (the “Limited Partners”). ZM manages the assets of each ZM Fund in accordance with the terms of the governing documents applicable to each ZM Fund.

Shares or limited partnership interests in the ZM Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the ZM Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the ZM Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements of private transactions within the United States.

Item 5: Fees and Compensation

Management Fees

ZM receives an investment management fee payable quarterly in advance (the “Management Fee”). The ZM Funds are generally charged the Management Fee with respect to a Limited Partner that equals 2.0% per annum of each Limited Partner’s Commitment during the Commitment Period and after the Commitment Period, 2.0% per annum of each Limited Partner’s Capital Contributions with respect to Portfolio Investments that have not been disposed of. Generally, Limited Partners joining the Partnership after the Initial Closing contribute their allocable share of the Management Fee that otherwise would have been payable had all Limited Partners been admitted at the Initial Closing, plus additional amounts thereon at the prime rate plus 2% from the date such Management Fees would have been paid. Such amounts (other than such additional amounts) will reduce the Limited Partners’ Unfunded Commitments. Management Fees are generally due quarterly in advance. In the unlikely event that an advisory contract is terminated before the end of a Management Fee period, ZM will refund the overpayment of the Management Fee (computed on the basis of the number of days elapsed).

Carried Interest Allocations

Carried interest is a share of the net profits realized on the disposition of investments, together with current income generated by such investments that is paid to each ZM Fund's general partner as an incentive for ZM to maximize performance of the ZM Fund. The ZM Funds are generally subject to a carried interest of 20% of profits on distributions derived from investments, including their disposition, with a preferred return of up to 8% per annum. The fact that a significant portion of ZM's compensation (and compensation of its investment professionals) is directly computed on the basis of profits generated by the ZM Fund assets may create an incentive for ZM to make investments on behalf of the ZM Funds that are riskier or more speculative than would be the case in the absence of such compensation.

Other Fees

In connection with actual or potential Portfolio Investments, 50% of the ZM Funds' share of all transaction, directors', consulting, management, investment banking, monitoring, closing, topping, break-up and other similar fees paid to or received by ZM for its unconsummated transactions will be applied to reduce the Management Fee (net of any unrecouped expenses which ZM has elected to pay on behalf of the Partnership). To the extent such offsets would reduce the Management Fee for a given quarterly period below zero, such offsets will be carried forward and reduce future installments of the Management Fee.

Detailed information regarding the fees charged to the ZM Funds is provided in each ZM Fund's Confidential Private Placement Memorandum and other governing documents. The ZM Funds will generally pay all expenses related to its own operations, including fees, costs and expenses directly related to the purchase and sale of securities, expenses of counsel, accountants and other consultants and professionals, any insurance, indemnity or litigation expense or the costs and expenses of any lenders, investment banks and other financing sources and any taxes, fees or other governmental charges levied against the ZM Funds, and any such costs incurred in connection with transactions which are not consummated. Out-of-pocket expenses associated with completed transactions will be reimbursed by Portfolio Companies or capitalized as part of the acquisition price of the transaction. Investors should review all fees charged by ZM and its affiliates to fully understand the total amount of fees to be paid by the ZM Funds and, indirectly, their limited partners.

Item 6: Performance Based Fees and Side-by-Side Management

As described above, ZM or its affiliates receive a carried interest of up to 20% from each ZM Fund, which calculation is based on the profits generated on the sale or disposition of ZM Fund assets.

The carried interest may create an incentive for the general partners of the ZM Funds to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than would be made if such carried interest were not allocated to the general partners. ZM manages this potential conflict of interest by ensuring that no single person makes material investment decisions; instead, investment decisions are made by an investment committee, which consists of the managing members of the ZM Funds. In addition, the general partner of each ZM Fund generally maintains interests in the ZM Funds on the same basis as outside Investors; this also serves to alleviate the incentive to engage in riskier or more speculative investments.

Additionally, in order to mitigate and opine upon potential conflicts of interest, each of the ZM Funds has established an independent advisory committee (each, an “LP Advisory Committee”) consisting of limited partners unaffiliated with ZM who have been selected by the general partner of the ZM Fund as representatives of the ZM Fund’s limited partners. The purpose of the LP Advisory Committee is to: (i) consult with the general partner with respect to any matter as to which the general partner determines in good faith creates a conflicts of interest; (ii) give consents required of the “client” under the Advisers Act; and (iii) provide advice and counsel on other issues requested by the general partner or required pursuant to the governing documents of the relevant ZM Fund in connection with other potential conflicts of interest, valuation matters, additional fees received by the general partner and other matters relating to the relevant ZM Fund. No fees are paid to the members of an LP Advisory Committee, but the members may be reimbursed for reasonable out-of-pocket expenses incurred in connection with attending meetings of an LP Advisory Committee.

Item 7: Types of Clients

ZM provides discretionary investment advisory services to the ZM Funds, which are pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended. Investors consist primarily of high net worth individuals and related trusts, corporate pension plans, pooled investment vehicles (e.g. funds of funds) and insurance companies. The minimum commitment for a limited partner of a ZM Fund is outlined in each ZM Fund’s Confidential Private Placement Memorandum and other governing documents; however ZM maintains discretion to accept less than the minimum investment threshold.

Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act, being a “qualified purchaser” as set forth in Section 3(c)(7) of the Investment Company Act and being a “qualified client” as defined in Rule 205-3 under the Advisers Act. Also, limited partners will be required to make certain representations when investing in a ZM Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the ZM Fund. Details concerning applicable investor suitability criteria are set forth in the respective ZM Fund’s Confidential Private Placement Memorandum and subscription materials, which are furnished to each limited partner.

Co-Investment

Where appropriate, the Advisor may provide certain investors in the ZM Fund or third parties the opportunity to co-invest in specific Portfolio Companies alongside the ZM Fund. It may arrange for the organization of a new limited partnership or other type of entity to serve as a co-investment entity. The Advisor will allocate the available investment among the Funds, the co-investment entity and any third parties as it may in its sole discretion determine. ZM Titan Investments, L.P. is such a co-investment entity.

Alternative Investment Vehicles

Alternative investment vehicles in which investors of the ZM Fund make a particular investment outside of the ZM Fund, as further described in the ZM Fund's Confidential Private Placement Memorandum and other governing documents, may be used if it is determined by the general partner of the ZM Fund to be in the best interests of one or more of the ZM Fund's investors, subject to certain restrictions. ZM Capital CRT Investment, L.P., ZM Capital Alloy Digital Investment L.P. and ZM Capital Femto Investment L.P. are such alternative investment vehicles.

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

ZM intends to leverage its understanding of the media industry to target and acquire companies that it believes will benefit from macro industry trends. The specific sectors that ZM targets include, but will not be limited to, direct marketing, market research and information services, as well as certain segments of the television, radio, out-of-home advertising, publishing and music businesses.

The ZM Fund's investment objective is to generate significant capital appreciation by making private investments ("Portfolio Investments") principally in equity or equity-oriented securities (including preferred stock and debt securities purchased in connection with equity investments, or which offer equity-like returns) of media companies ("Portfolio Companies"). The ZM Fund broadly targets two types of investment opportunities: special situations/ management turnarounds and transitional growth companies. ZM takes a highly active role in all aspects of a Portfolio Company's operations and management, applying ZM's "Four Tenets of Value Creation": (i) hands-on management, (ii) cost efficiency, (iii) creative revitalization and (iv) corporate innovation.

The ZM Fund seeks investment opportunities typically ranging from \$10 million to \$30 million in middle-market companies with enterprise values typically ranging from \$50 million to \$250 million, including the active targeting of out-of-favor sectors and contrarian opportunities where valuations are discounted and potential returns are enhanced. The ZM Fund may also target larger Investments or Portfolio Companies and invite co-investors to participate to keep the ZM Fund's investment within the preferred size range. The ZM Funds may utilize a broad range of transaction structures, including management and leveraged buyouts, recapitalizations, corporate divestitures, privately negotiated control and minority investments, consolidations and roll-ups, spin-offs and carve-outs, and growth equity investments.

The investment activities of the ZM Funds are directed by the Partners (the "Investment Committee"). The Investment Committee is supported by ZM's investment professionals. ZM's investment decision-making process generally includes informal, collaborative discussions on an ongoing basis and a formal approval by the Investment Committee for each new investment. The subsequent Portfolio Company monitoring processes, which are designed to ensure the timely and successful execution of each investment's business plan, involve periodic reviews of valuation parameters, investment performance, and disposition opportunities.

All investing involves a risk of loss and the investment strategy offered by ZM could lose money over short or even long periods. An investment in the ZM Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the ZM Funds. No guarantee or representation is made that a ZM Funds will achieve its investment objective or that limited partners will receive a return of their capital. Investors should review in

detail the governing documents relating to each ZM Fund prior to making an investment in the ZM Funds.

Risks and potential conflicts of interest include, but are not limited to, the following:

Past Performance Not Indicative of Future Results. The past performance of ZM's Portfolio Investments is not necessarily indicative of future results. Among other factors, many of ZM's current Portfolio Investments are unrealized. The actual realized proceeds on these unrealized investments will depend on each company's future operating results, the value of the assets and market conditions at the time of any realization, the amount of any related transaction costs and the timing and manner of realization. The investment returns realized from these unrealized investments may differ materially from the returns generated by realized investments. There can be no assurance that the ZM Funds will generate investment returns commensurate with ZM's historical performance.

No Assurance of Investment Return. There is no assurance that the ZM Funds will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that the ZM Funds will be able to generate returns for their investors, or that the returns will be commensurate with the risks of investing in the type of companies and transactions targeted by ZM. There can be no assurance that projected or targeted returns for the ZM Funds will be achieved or that a Limited Partner will receive a return of its capital. An investment in the ZM Funds should only be considered by persons who can afford a loss of their entire investment.

Reliance on ZM and its affiliates and the Advisor. ZM and its affiliates have exclusive responsibility for the ZM Funds' activities. Limited Partners have no rights or powers to take part in the management of the ZM Funds or to make investment decisions, including disposition decisions, and will not receive the level of Portfolio Company financial information that will be available to ZM and its affiliates. The success of the ZM Funds depends on the skill and ability of the Principals to identify and consummate suitable investments and to dispose of such investments at a profit. The loss of the services of one or more of the Principals, in particular Strauss Zelnick, could have an adverse impact on the ZM Funds' prospects and their ability to realize their investment objectives. There can be no assurance that each of the Principals will continue to be affiliated with the ZM Funds throughout their anticipated terms.

Other Activities. The Principals and other employees of ZM devote only such portion of their time to the affairs of the ZM Funds as they in good faith consider necessary for the proper performance of their duties. Other activities of ZM, including managing ZM's existing portfolio of investments and working with companies in ZM's advisory portfolio, may require those individuals to devote varying amounts of their time to matters unrelated to the business of the ZM Funds. In addition, the Principals and other employees of ZM may take on additional activities in the future. ZM's other activities may pose conflicts in the allocation of management resources, including the time and attention of the Principals. The ZM Funds will have no interest in these other activities.

No Independent Investment Record. Prior to the formation of the ZM Funds, all of ZM's investments had been made with unaffiliated private equity firms that made their own, independent investment decisions, provided substantially all of the capital, hold a majority of the voting equity securities and control the boards of directors of the Portfolio Companies. As a result, while ZM has or shares a primary role in determining the strategic plan for these Portfolio Companies and directing the execution of the plan by company management, ZM did not have the sole authority to acquire the companies and does not control decisions about material corporate transactions that

require board or shareholder approval, including mergers, acquisitions and asset sales. Investments by the ZM Funds require a consensus among the Principals, with a final determination by Mr. Zelnick. ZM and its affiliates will have sole decision-making authority with respect to Portfolio Investments and expects to control the material corporate decisions of its Portfolio Companies.

Concentration of Investments in the Media Industry. The ZM Funds' Portfolio Investments will be concentrated in the media sector. Concentration in a single industry may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. Instability, fluctuation or overall decline within the media industry will likely not be balanced by investments in other industries not so affected. In the event that the media sector as a whole declines, returns to investors may decrease. In addition, media companies in the United States, Canada, Europe and elsewhere are undergoing rapid change as a result of evolving government regulations, development of new technologies, changing market conditions and new or improved competing products and services. The ZM Funds' Portfolio Companies will compete in this volatile environment. There is no assurance that products or services provided by Portfolio Companies will not be rendered obsolete or adversely affected by competing products or services or that Portfolio Companies will not be adversely affected by regulatory changes or other challenges.

Regulatory Considerations. The provision of media services in all parts of the world is governed by different statutes, rules and regulations promulgated by international, national, state and local government entities. These regulations cover all aspects of the provision of media services, including the allocation and use of the electromagnetic spectrum and the quality of service provided by the entity, as well as determine whether an entity is qualified to provide such services. The form and content of these regulations can be subject to all types of political, market and social forces at every level of regulatory authority. For example, some regulations govern the qualifications and/ or ownership of entities that seek to provide regulated services to protect consumers or to control the concentration of economic power in a specific market segment. Under these rules, entities wishing to provide certain services may need to be licensed or obtain some other authorization to provide services. Moreover, these entities may be subject to ownership and control restrictions, limitations on rates, specific technical requirements, reporting requirements, and the payment of various fees, taxes or other levies. Accordingly, regulation of the media industry can have a dramatic effect on any entity participating in this industry. Additionally, there is no assurance that governments or regulatory agencies will not adopt new laws or regulations, revise their view of existing rules and regulations, or take other actions that will have an adverse effect on the media industry or the ability of an entity to provide specific services or otherwise impact companies in which the ZM Funds may invest or may have invested. Furthermore, some regulations concerning ownership and control of certain types of media entities may prevent certain potential investors in the ZM Funds from making, or could prevent the ZM Funds from making, certain investments that it might otherwise desire to make. These same regulations or others might also prevent investors in the ZM Funds from making certain investments outside the ZM Funds. Additional information concerning the risks discussed above can be found in the ZM Funds' Confidential Private Placement Memoranda.

Unspecified Investments. A purchaser of an Interest in the ZM Funds must rely upon the ability of ZM and its affiliates to identify, structure and implement investments consistent with the ZM Funds' investment objectives and policies. The ZM Funds may be unable to find a sufficient number of attractive opportunities to meet their investment objectives.

Risks in Effecting Operating Improvements. The ZM Funds invest in underperforming media assets, with the goal of improving the financial performance of these assets by implementing operational improvements. Identifying and implementing potential operating improvements at

Portfolio Companies is difficult and entails a high degree of uncertainty. There can be no assurance that the ZM Funds will be able to successfully identify and implement such improvements or that such improvements, if made, will result in improved financial performance.

Investments in Corporate Divestitures. The ZM Funds may invest a portion of their assets in the securities of companies that have been formed through divestitures from larger corporations. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Companies that are divested from larger corporations have no experience operating as separate, standalone entities and may not have accounting, human resources or other systems in place to support their operations. Such companies may also require extensive restructuring, new management expertise and a significant commitment of financial and managerial resources from the ZM Funds. Accordingly, some Portfolio Investments may be considered highly speculative and there can be no assurance that the ZM Funds will be able to transform these businesses into successful, stand-alone companies.

Assumption of Contingent Liabilities. In connection with an investment, the ZM Funds may assume, or acquire a Portfolio Company subject to, contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things. To the extent these liabilities are realized, they may materially adversely affect the value of the Portfolio Company. In addition, if the ZM Funds have assumed or guaranteed these liabilities, the obligation would be payable from the assets of the ZM Funds, including the unfunded commitments of Limited Partners.

Investments in Turnaround Situations. The ZM Funds may make investments in Portfolio Companies that are experiencing or are expected to experience financial difficulties, including in companies that are producing net losses or negative operating EBITDA. The ZM Funds will rely upon the Principals' operating and management skills to restructure the companies' operations and restore profitability. There can be no assurance that the Principals will be successful in implementing such changes or that the companies' financial difficulties will be overcome. In addition, such investments could subject the ZM Funds and Limited Partners to certain additional potential liabilities. For example, under certain circumstances, payments to the ZM Funds and distributions by the ZM Funds to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payout.

Reliance on Portfolio Company Management Teams. Each Portfolio Company's day-to-day operations will be the responsibility of such Portfolio Company's management team. Although ZM will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to operate the Portfolio Company successfully or implement any operational improvements in accordance with the ZM Funds' plans. In addition, the ZM Funds expect to acquire businesses or divisions that have been divested from strategic sellers and do not have centralized management structures or teams. There can be no assurance that such Portfolio Companies will be able to successfully build management structures and attract and retain suitable management personnel.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and successfully disposing of Portfolio Companies is highly competitive and involves a high degree of uncertainty. The ZM Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment funds and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity and hedge funds have been formed (and many such

existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other, unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than ZM and its affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the ZM Funds and adversely affecting the terms upon which investments can be made. There can be no assurance that the ZM Funds will be able to identify or acquire Portfolio Companies satisfying their investment criteria or that such investments will satisfy the ZM Funds' return objectives. Likewise, there can be no assurance that the ZM Funds will be able to realize the values of their investments or that they will be able to invest their committed capital.

Risk of Fewer, Larger Investments. The ZM Funds may have a limited number of Portfolio Investments. As a consequence, the aggregate returns of the ZM Funds may be substantially adversely affected by the unfavorable performance of any single Portfolio Company. Since all of the Portfolio Investments cannot reasonably be expected to perform well or even return capital, for the ZM Funds to achieve above-average returns, one or a few of these investments must perform very well. There can be no assurance that this will be the case. Moreover, other than as set forth in the Confidential Private Placement Memoranda, investors have no assurance as to the degree of diversification of the ZM Funds' investments by geographic region. In addition, up to 20% of the aggregate amount of Capital Commitments may be invested in any one Portfolio Company at any given time, or up to 30% if the excess portion can be refinanced within 12 months in ZM and its affiliates' good faith judgment. In these circumstances and in other transactions where ZM and its affiliates intend to refinance all or a portion of the capital invested, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of the ZM Funds having an unintended long-term investment as to a portion of the amount invested and/ or reduced diversification. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the ZM Funds.

Use of Leverage. The ZM Funds' Portfolio Investments are expected to include companies whose capital structures have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk than investments in non-leveraged companies. The ZM Funds' investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in the media sector) may have a more pronounced effect on the profitability or survival of these Portfolio Companies. Moreover, rising interest rates may significantly increase Portfolio Companies' interest expense, causing losses and/ or an inability to service debt levels. If a Portfolio Company cannot generate adequate cash flow to meet debt obligations, the ZM Funds may suffer a partial or total loss of capital invested in the Portfolio Company. In addition, borrowings by the ZM Funds may be secured by the Limited Partners' Capital Commitments to the ZM Funds as well as by the ZM Funds' assets.

Non-U.S. Investments. The ZM Funds expect to invest a portion of their aggregate Capital Commitments outside the United States. The Principals of the ZM Funds have previously made only a limited number of significant investments outside the United States. Non- U.S. investments involve certain factors not typically associated with investing in U.S. transactions, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the ZM Funds' foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign markets, including differences

in rules and regulations, potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) economic, social and political conditions, including foreign exchange control regulations, restrictions on foreign investment and repatriation of capital, the possibility of expropriation or confiscatory taxation, and political, economic or social instability; (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (v) less developed corporate laws regarding fiduciary duties and the protection of investors. Prospective investors should also note the considerations discussed in the Confidential Private Placement Memoranda.

Investments with Third Parties. The ZM Funds may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain Portfolio Companies. As a result, the ZM Funds may have a limited ability to protect their position therein. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-investor may have financial difficulties resulting in a negative impact on such investment, including the ZM Funds' ability to exit the investment, may have economic or business interests or goals which are inconsistent with those of the ZM Funds, or may be in a position to take action contrary to the ZM Funds' investment objectives. In addition, the ZM Funds may in certain circumstances be liable for the actions of its third party partners or co-investors.

Minority Investments. The ZM Funds may invest in minority positions of companies for which the ZM Funds have no right to exert significant influence. In such cases, the ZM Funds will be significantly reliant on the existing management and board of directors, which may include representatives of other investors with whom the ZM Funds are not affiliated and whose interests may conflict with the interests of the ZM Funds. While the ZM Funds generally expect that appropriate minority shareholder rights will be obtained to protect their interests to the extent possible, there can be no assurance that such minority shareholder rights will be available or that such rights will provide sufficient protection of the ZM Funds' interests.

No Market for Limited Partnership Interests. Interests in the ZM Funds will not be readily marketable and are generally neither redeemable nor transferable without the prior written consent of ZM and its affiliates, which may be given or withheld in ZM and its affiliate's sole discretion. An investment in the ZM Funds is a long-term commitment. It is anticipated that there will be a significant period of time (up to six or more years) before the ZM Funds will have completed their investments in Portfolio Companies. Interests in the ZM Funds have not been and will not be registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdiction, and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. There will be no public market for Interests in the ZM Funds and none is expected to develop. Accordingly, it may be difficult to obtain reliable information about the value of Interests in the ZM Funds. Each Limited Partner will be required to represent that it is a qualified investor under applicable securities laws and that it is acquiring its Interest for investment purposes and not with a view to resale or distribution. Further, each Limited Partner must represent that it will only sell or transfer its Interest in the ZM Funds with prior written consent from ZM and its affiliates to a qualified investor under applicable securities laws or in a manner permitted by the Partnership Agreement and consistent with those laws. Except in extremely limited circumstances, voluntary withdrawals from the ZM Funds will not be permitted. Additionally, Limited Partners may not be

able to liquidate their investments prior to the end of the ZM Funds' term and must be prepared to bear the risks of an investment in the ZM Funds for an extended period of time.

Illiquid and Long-Term Investments. Many of the ZM Funds' investments will be highly illiquid. There can be no assurance that the ZM Funds will be able to monetize such investments in a timely manner, or at all. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Partners. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the investment is made. The ZM Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, the ZM Funds may be prohibited by contract from selling certain securities for a period of time, and as a result may not be permitted to sell a Portfolio Investment at a time it might otherwise do so. Even where the ZM Funds hold freely tradable publicly traded securities, the ZM Funds' position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity in the event that the ZM Funds wished to dispose of or reduce their position in such company by selling shares into the market. As a result, there most likely will be little or no near-term cash flow available to the Partners from their investments in the ZM Funds.

Investments Longer Than Term of ZM Funds. The ZM Funds may make investments that cannot be advantageously disposed of prior to the date that the ZM Funds are dissolved, either by expiration of the ZM Funds' term or otherwise. Although ZM and its affiliates expect that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the ZM Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the ZM 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 assets and may be responsible for the content of disclosure documents under applicable securities laws. The ZM 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 inaccurate. These arrangements may result in contingent liabilities, which will be borne by the ZM Funds, and Limited Partners may be required to return amounts distributed to them to pay for the ZM Funds' indemnity obligations.

Hedging Policies/ Risks. In connection with the acquisition, holding, financing, refinancing or disposition of certain investments, the ZM Funds may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices or currency exchange. The costs of such hedging techniques will be borne by the ZM Funds. While hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the ZM Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the ZM Funds than if they had not entered into hedging transactions.

U.S. Dollar Denomination of Interests. Interests in the ZM Funds are denominated in U.S. dollars. Investors subscribing for Interests in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions.

Indemnification. The ZM Funds will be required to indemnify ZM and its affiliates, and each of their respective officers, directors, agents, stockholders, members, partners and employees, any other person who serves at the request of ZM and its affiliates on behalf of the ZM Funds as an officer, director, agent, partner, member or employee of any other entities, and any member of the LP Advisory Committee for liabilities incurred in connection with the affairs of the ZM Funds and otherwise as provided in the Partnership Agreements. Such liabilities may be material and may have an adverse effect on the returns to the Limited Partners. For example, in their capacity as directors of Portfolio Companies, the Principals and other affiliates of ZM may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the ZM Funds would be payable from the assets of the ZM Funds. If the assets of the ZM Funds are insufficient, ZM and its affiliates may recall distributions previously made to the Limited Partners (subject to certain limitations set forth in the Partnership Agreements of each of the ZM Funds).

Provision of Managerial Assistance. ZM and its affiliates intend to use reasonable efforts to avoid having the assets of the ZM Funds constitute “plan assets” of any plan subject to Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, and may, in this regard, elect to operate the ZM Funds as a “venture capital operating company” (“VCOC”) within the meaning of regulations promulgated under ERISA or meet another exemption from the ERISA “plan asset” regulations. Operating the ZM Funds as a VCOC requires that the ZM Funds obtain rights to substantially participate in or substantially influence the conduct of the management of a number of the ZM Funds’ Portfolio Companies. The ZM Funds will typically designate one or more directors to serve on the board of directors of each Portfolio Company as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of the ZM Funds to claims by a Portfolio Company, its security holders and its creditors, as well as other persons who have a claim against the Portfolio Company.

ERISA Considerations. In the event that ZM and its affiliates operate the ZM Funds so as to qualify as a VCOC, as discussed above, the ZM Funds may be restricted or precluded from making certain investments. In addition, it could be necessary for ZM and its affiliates to liquidate an investment at a disadvantageous time in order to avoid holding ERISA “plan assets,” resulting in lower proceeds to the ZM Funds than might have been the case without the need to qualify as a VCOC.

Liability of the ZM Funds and the Partners. ZM and its affiliates have unlimited liability for all debts and obligations of the ZM Funds. Except as provided below, the total liability of a Limited Partner is limited to the amount of its Capital Commitment, except in certain circumstances whereby such Limited Partner was involved in the management or otherwise engaged in the business of the ZM Funds or externally represented the ZM Funds. Any Partner’s Capital Commitment is susceptible to risk of loss as a result of any liability of the ZM Funds irrespective of whether such liability is attributable to an investment to which such Partner contributed any capital. If the ZM Funds is otherwise unable to meet its obligations, the Limited Partners may, under applicable law, be obligated to return, with interest, distributions previously received by them, pursuant to any rules regarding fraudulent conveyances, to the ZM Funds or to creditors whose interests have been injured. In addition, a Limited Partner may be liable under applicable bankruptcy law to return a distribution made during the ZM Funds’ insolvency. For additional information on the liability of Limited Partners, see the Confidential Private Placement Memoranda.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur during the term of the ZM Funds that may adversely affect the ZM Funds, Portfolio Companies or Limited Partners.

For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. Moreover, the provision of media services in all parts of the world is governed by different statutes, rules and regulations promulgated by international, national, state and local government entities. These regulations cover all aspects of the provision of media services, including the allocation and use of the electromagnetic spectrum and the quality of services provided by the entity, and determine whether an entity is qualified to provide such services.

Absence of Regulatory Oversight. While the ZM Funds may be considered similar in some ways to an investment company, the ZM Funds are not required and do not intend to register as such under the Investment Company Act of 1940, as amended. Accordingly, the Limited Partners are not afforded the protections of the Investment Company Act.

Effect of Carried Interest. The existence of ZM and its affiliates' Carried Interest may create an incentive for ZM and its affiliates to make more speculative investments on behalf of the ZM Funds than it would otherwise make in the absence of such performance based arrangement. In addition, if distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined in accordance with procedures specified in the Partnership Agreements. An independent appraisal generally will not be required and is not expected to be obtained.

Conflicts of Interests. ZM and its affiliates may receive certain fees from Portfolio Companies in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., transaction, directors', break-up and monitoring fees). Except as set forth in the Confidential Private Placement Memoranda, Limited Partners will receive no benefit from such fees paid to ZM and its affiliates. Further, conflicts of interest may arise as a result of the ZM Funds' Principals having investments in both the existing ZM Portfolio Investments and the ZM Funds, as well as other investments both public and private. ZM and its affiliates will endeavor to make sure that conflicts of interest do not work to the detriment of the ZM Funds. To the extent that conflicts of interest arise, they will be presented to the LP Advisory Committee of the relevant ZM Fund for review.

Material, Non-Public Information. As a result of their responsibilities in connection with Portfolio Companies or their other activities, ZM and its affiliates, the ZM Funds or their employees may acquire confidential or material, non-public information or otherwise be restricted from initiating transactions in certain securities. The ZM Funds will not be able to act upon any such information. Due to these restrictions, the ZM Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Diverse Limited Partner Group. The Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the ZM Funds. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the ZM Funds, the structuring of acquisitions of investments and the timing of dispositions of investments. As a consequence, conflicts of interest may arise in connection with decisions made by ZM and 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 the ZM Funds, ZM and its affiliates will consider the investment and tax objectives of the ZM

Funds and its Partners as a whole, not the investment, tax or other objectives of any Limited Partner individually.

Other Activities and Relationships. The Principals will serve as members of the boards of directors of various companies and may participate in other activities outside of the General Partner and ZM. For example, Mr. Zelnick currently serves on the boards of directors of Take Two Interactive Software, Inc., as well as several private companies. Conflicts may arise as a result of such activities. The possibility exists that the companies with which one or more of the Principals is involved could engage in transactions that would be suitable for the ZM Funds, but in which the ZM Funds might be unable to invest.

Voting by Limited Partners. The Limited Partners of the ZM Funds generally vote on all matters on a combined basis as set forth in the Partnership Agreements. Accordingly, action by limited partners in one ZM Fund could affect other ZM Funds.

Item 9: Disciplinary Information

ZM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of ZM's advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither ZM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither ZM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

ZM does not recommend or select other investment advisers for the Funds.

Employees of ZM may serve as directors and officers of certain Portfolio Companies and, in that capacity, will be required to make decisions that consider the best interests of such Portfolio Companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Company, actions that may be in the best interests of the Portfolio Company may not be in the best interests of the respective ZM Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of ZM and such individual's duties as a director or officer of such Portfolio Company.

ZM organizes and sponsors the ZM Funds, which are private investment companies. These pooled investment vehicles managed by ZM are controlled by affiliated general partner entities ("GP Entities"). ZM or the GP Entities will be responsible for all decisions regarding portfolio transactions of the ZM Funds and have full discretion over the management of the ZM Funds' investment activities. While the GP Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. In addition, employees and persons acting on behalf of the GP Entities are subject to the supervision and control of ZM. Thus, the GP Entities, all of its employees and the persons acting on its behalf would be "persons

associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the GP Entities.

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

ZM has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act that is predicated on the principal that ZM owes a fiduciary duty to the ZM Funds. Accordingly, employees of ZM must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of the ZM Funds.

ZM’s employees that are access persons must have written clearance for all transactions involving initial public offerings and private placements before completing the transactions. ZM may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. ZM also endeavors to maintain current and accurate records of all personal securities accounts of its access persons in an effort to monitor all such activity. A copy of ZM’s Code of Ethics is available upon request.

ZM, its employees or a related entity will have an investment in each ZM Fund. For example, the general partner for each ZM Fund is 100% owned by ZM’s Managing Partners and other investment professionals working for ZM. In addition, ZM and its general partners will participate in the ZM Funds’ investment program by agreeing to commit a certain percentage of the ZM Funds’ total capital commitments or a certain amount as defined in the ZM Funds’ governing documents. Therefore, ZM, its employees or a related entity participate in transactions effected for the ZM Funds.

Item 12: Brokerage Practices

ZM focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments. To the limited extent ZM transacts in public securities it intends to select brokers based upon the broker’s ability to provide best execution for the ZM Funds. ZM is generally authorized to make the following determinations, subject to each ZM Fund’s investment objectives and restrictions, without obtaining prior consent from the relevant ZM Fund or any of their investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for the ZM Funds, ZM will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices; (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although ZM will generally seek competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent.

Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

ZM does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to ZM's own research effort. Outside of routinely available research, ZM's policy is to bear the cost of research it receives and does not direct trading activity in lieu of payments for research or other services.

Item 13: Review of Accounts

ZM focuses on making private equity investments in middle-market companies. All investments are carefully reviewed and approved by the Investment Committee, which is comprised of ZM's Partners and investment personnel. The Portfolio Companies are reviewed on a continuous basis and ZM's investment professionals meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

ZM provides investors in the ZM Funds with quarterly reports and capital account statements, capital call/distribution notices, and periodic press releases. Investors also receive annual audited financial statements.

Item 14: Client Referrals and Other Compensation

No one other than the investors in the ZM Funds provide an economic benefit to ZM for providing investment advice or other advisory services to the ZM Funds.

During a fundraising cycle, ZM may compensate placement agents who introduce investors that commit capital to a ZM Fund. The amount paid to placement agents is based on point-in-time negotiation and all placement fees will be fully disclosed to investors referred by placement agents.

ZM or its affiliates may charge Portfolio Companies origination fees, breakup fees, consulting fees, monitoring fees and other similar fees. Also, ZM's investment professionals who serve on the board of directors of Portfolio Companies may receive cash compensation, options and/or restricted stock in their capacity as directors. In accordance with each ZM Fund's applicable governing documents, a portion of these fees received by ZM or any of its affiliates may be applied to reduce the Management Fee otherwise payable.

Item 15: Custody

ZM has custody of client funds because an affiliate serves as the general partner of the ZM Funds.

When ZM identifies an investment that is suitable for the ZM Funds, the general partner issues a capital call to the investors for the capital necessary to make the investment. This capital will be held with a qualified custodian until the investment is made.

Though the investments recommended by ZM will generally be investments in private companies, ZM's clients may from time to time receive publicly traded equity securities in connection with

their investments. ZM shall maintain evidence of all investments as required by Rule 204-2 under the Investment Advisers' Act of 1940. ZM shall maintain all publicly traded equity securities with a qualified custodian.

Investors will not receive statements from custodians. Instead, the ZM Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and, in accordance with Rule 206(4)-2 of the Advisers Act, will be distributed within 120 days of each ZM Fund's fiscal year end.

Item 16: Investment Discretion

ZM generally has discretionary authority to determine, without obtaining specific consent from the ZM Funds or their limited partners, the securities and amount to be bought or sold. Any limitations on authority are included in the ZM Fund's Confidential Information Memorandum and other governing documents.

In addition, the ZM Funds may enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more investors without the approval of any other investor that would have the effect of establishing rights under, or altering or supplementing the terms of the partnership agreements of the ZM Funds or any subscription agreement of the ZM Funds. As a result of such Side Letters, certain investors may receive additional benefits that other investors will not receive. The other investors will have no recourse against ZM or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters.

Item 17: Voting Client Securities

The ZM Funds currently only hold private investments. Therefore, ZM does not receive and/or vote proxies.

Item 18: Financial Information

ZM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.