

BROCHURE  
Form ADV Part 2A

KAILAI ADVISERS LTD.

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This brochure provides information about the qualifications and business practices of KAILAI Advisers Ltd. If you have any questions about the contents of this brochure, please contact us at (310) 385-3695 and/or [wjk@kailaiinvestments.com](mailto:wjk@kailaiinvestments.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## **ITEM 2 - MATERIAL CHANGES**

This brochure is a new document prepared in connection with the application of KAILAI Advisers Ltd. for registration as an investment adviser with the SEC.

Following the registration of KAILAI Advisers Ltd. with the SEC, this Item 2 will be used to provide a summary of material changes that are made to a brochure since its last annual update.

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## ITEM 4 - ADVISORY BUSINESS

### A. Description of Advisory Firm

KAILAI Advisers Ltd., a Cayman Islands company ("Registrant"), is owned by its partners, directors, and officers (including an ownership share of greater than 25% held by Xiao Hua Liu). Registrant and its predecessor entities have been in business since 1997. Registrant, directly or through its affiliates, provides investment advisory services to private investment funds sponsored by Registrant or its affiliates for the purpose of making private equity and similar investments in media, communications and business services in the US and/or abroad (depending on the investment mandate of each particular fund), as well as their related investment vehicles, such as parallel funds, alternative investment vehicles, and co-investment vehicles (collectively, such funds and related vehicles, together with subsequently sponsored funds and their related vehicles, and any similar pooled investment vehicles formed or managed by Registrant or its affiliates, will be referred to as the "Funds").

Certain affiliates controlled by or under common control with Registrant may serve as the general partner (or equivalent position) or investment manager of the Funds. Such affiliates are supervised persons of Registrant and intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. Any employees of such affiliate(s), and other persons acting on their behalf, are and shall be subject to the supervision and control of Registrant. Such affiliates that are not separately registered are relying on Registrant's registration under the Advisers Act and are not registering themselves. All references herein to "Registrant" shall include such affiliates as applicable.

### B. Types of Advisory Services Offered

Registrant, directly or through its affiliates, provides advice to the Funds in respect of their investment portfolios, as well as certain ancillary managerial and administrative services, including, without limitation, identifying and screening potential investments, recommending strategies for the management and disposition of investments, monitoring the performance of portfolio companies, assisting in certain circumstances with the management of portfolio companies, and preparing reports necessary or appropriate for compliance with the governing agreements of the Funds. Investments in the Funds are privately offered only to qualified investors, typically institutional investors (for example, public and private pension funds) and eligible high-net-worth individuals. See also Item 4.A. above.

### C. Services Tailored to Individual Needs of Clients

Registrant's advisory services are geared to the management of the Funds, the investment objectives, parameters and restrictions of which are disclosed to investors in the applicable governing agreements before they invest. Investment restrictions applicable to a specific Fund are customarily imposed in the governing agreements for such Fund, as agreed upon with investors.

Registrant or certain affiliates may also enter into side letters or other writings with specific Fund investors which have the effect of establishing rights under, or altering or supplementing, the

terms of Fund agreements, in respect of the investor to whom such letter or writing is addressed. Any rights established, or any terms altered or supplemented, will govern only that Fund investor and not a Fund as a whole. Such side letters may impose restrictions on participation in certain investments or types of investments made by the Funds, and may also provide benefits to certain investors in a Fund not provided to investors in such Fund generally (for example, adjustments to fees or other economics, access to information, ability to transfer interests in a Fund or compliance with specified laws or regulations). Neither Registrant nor its affiliates will enter into a particular side letter if Registrant determines that the provisions contained in such side letter would be disruptive to the applicable Fund or its investment program. Disclosure of applicable side letter practices is made to investors prior to their investment in the applicable Fund.

#### D. Wrap Fee Programs

Wrap fees are comprehensive fees charged to a client for providing a bundle of services, such as investment advice, investment research and brokerage services. Registrant does not participate in wrap fee programs.

#### E. Client Assets

As of November 30, 2011, Registrant managed approximately \$845,310,891 of client assets on a discretionary basis. As of February 14, 2012, Registrant did not manage any assets on a non-discretionary basis.

### ITEM 5 - FEES AND COMPENSATION

#### A. Fees

The applicable fees for each Fund are disclosed to investors in the private offering materials for the relevant private offering of each Fund.

#### B. How Fees are Charged

With the exception of certain Funds that only collect management fees upon Fund dissolution, management fees are generally payable quarterly or semiannually in advance by each Fund and are paid after the date payable. Management fees may be paid by capital contributions from Fund investors to each Fund pursuant to capital call notices delivered by each Fund's general partner or managing member, or may be paid out of cash otherwise available to the Fund, for example, following a Fund's receipt of proceeds from the sale of an underlying investment.

With respect to the Funds, Registrant or an affiliate is typically entitled to "carried interest," or performance fees, to the extent provided in the applicable Fund governing agreement. Performance fees are typically measured as a percentage of the profits from investments made by such Fund and are negotiated separately for each Fund at a rate consistent with industry standards. Such fees are typically paid out of cash otherwise distributable by the Fund, such as the receipt by such Fund of proceeds from the disposition of a portfolio investment. Any such

performance fees are specifically disclosed to investors prior to investment in the governing agreements of the applicable Fund.

#### C. Other Fees and Expenses

Fees unrelated to securities management functions may be paid to Registrant or to a Fund's general partner, managing member, or affiliates. These fees may include transaction fees, investment banking fees, break-up fees, topping fees, advisory fees, monitoring fees, directors fees or other similar fees. A portion of these fees may offset the management fees otherwise payable by the applicable Fund. These potential fee arrangements are disclosed in the private offering materials and/or governing agreements for each particular private vehicle offering.

Funds are also subject to customary expenses, including fees, costs and expenses related to the purchase, holding and sale of investments, expenses of any administrators, custodians, counsel and accountants (including audit fees), any insurance, indemnity or litigation expenses, and any taxes, fees or other governmental charges levied against a Fund investment vehicle, and expenses arising in connection with the formation, launch and closings of a Fund (as described in, and subject to limits on such organizational expenses as set forth in, the applicable Fund governing agreements).

Given the nature of the Funds' investment programs, Registrant does not usually transact through broker-dealers. Therefore, investors in the Funds do not generally incur brokerage costs. A discussion of Registrant's brokerage practices may be found at Item 12 of this brochure.

#### D. Refunds for Fees Charged in Advance

Except as otherwise noted above, management fees are generally paid by the Funds in advance of any securities management functions performed by Registrant (directly or through its affiliates). Fees assessed against the Funds are typically paid from amounts contributed to each such Fund by its investors in accordance with the commitments of capital such investors make to the Fund, or are paid out of cash otherwise available to the Fund. Should Registrant's services be terminated before services are provided for the period, fees assessed in advance will be returned under a method that is reasonably determined to be fair. In general, such returned fees would be pro-rated from the date of Registrant's termination to the end of the period to which the advance fee covered.

#### E. Compensation for Sales of Securities

Neither Registrant nor its supervised persons accepts compensation for the sale of securities or other investment products.

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

A Fund is typically subject to a "carried interest" or performance fee that is paid to the Fund's general partner/managing member. These fees are typically measured as a percentage of the profits from investments made by a Fund and are negotiated at a rate consistent with industry standards and in compliance with the Advisers Act. No performance fee is charged in respect of

any Fund investor unless such investor is reasonably believed to be either a “qualified client” (within the meaning of Advisers Act rule 205-3) or a non-U.S. person. Currently, the amount of these fees, where applicable, is typically 20% of the profits of a Fund, subject to the specific formula provided in a given Fund’s governing agreements.

Registrant (directly or through its affiliates) manages Funds yielding different performance fees (if any). Registrant and its supervised persons face a potential conflict of interest in managing such Funds at the same time, including that Registrant and its supervised persons may have an incentive to favor accounts for which Registrant or its supervised persons receive a performance-based fee. Additionally, the existence of carried interest may create an incentive for Registrant and its supervised persons to make riskier or more speculative investments on behalf of a Fund with a carried interest arrangement than would be the case in the absence of such an arrangement. Potential conflicts of interest, and the methods Registrant and its supervised persons utilize to address these conflicts, are disclosed to Fund investors in each applicable Fund’s governing agreements before they invest. Where an investment opportunity is suitable for more than one Fund, Registrant will allocate such investment in a manner intended to be fair and reasonable, and in accordance with the governing agreements of the applicable Funds. For additional information on how Registrant addresses such conflicts, see Item 10.C below.

## **ITEM 7 - TYPES OF CLIENTS**

Registrant, directly or through its affiliates, generally provides investment advice solely to the Funds, which are private equity investment funds and related investment vehicles. Interests in the Funds are offered privately only to qualified investors, typically institutional investors (for example, public and private pension funds) and individuals who qualify to invest in the Funds because they have a sufficiently high income or net worth. Registrant typically imposes a minimum investment in connection with investing in a Fund of \$10 million, although such minimums may be waived in the discretion of Registrant. On occasion, Registrant may also offer investment opportunities to its qualified professional personnel, as well as other qualified institutions or individuals who have a pre-existing relationship with Registrant or offer expertise or other assistance with respect to a particular investment area or portfolio investment. In addition, Registrant and/or its affiliates make capital commitments to the Funds for investment at the same time and on the same terms (at the level of the portfolio investment) as other commitments to the Funds.

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

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

Registrant (directly or through its affiliates) typically invests assets of the Funds in growth-stage and/or mature businesses in the fields of energy, natural resources, retail, healthcare, media/advertising, financial services, communications, infrastructure and transportation, among others (depending on a particular Fund’s investment mandate and geographic focus). Registrant works with the management of these portfolio companies to strategically position or reposition their businesses and/or implement operational and other improvements, with the intent to create value. Registrant then sells or transfers the Fund’s interest in a portfolio company and the Fund



distributes the proceeds to its investors in accordance with the distribution formula provided in the applicable Fund governing agreement. Investors are provided with more detailed information on the investment strategies (and geographic focus) of an applicable Fund before they invest.

Participation in any Fund involves a risk of loss that investors should be prepared to bear, including up to the entire amount of their investment or commitment. For a discussion of material risks, see Item 8.B immediately below.

## B. Material Risks

Investing in private equity funds like the Funds involves a wide range of risks. Investors are provided with more detailed information regarding material risks to which an investment in a Fund is subject before investing. Such material risks include, but are not limited to, those set forth below.

The market for attractive investment opportunities is highly competitive. Registrant's ability to compete depends on, among other things, the retention of its personnel, its ability to identify, analyze and secure investments, and its ability to execute on its investment strategy for each portfolio company. Success also depends on, among other things, the accuracy of information received and assumptions made at each step of the investment process. Registrant may invest in securities that are junior in a portfolio company's capital structure, which are subject to greater risk of loss. The unfavorable performance of even a single investment may substantially adversely impact a Fund.

Registrant may take a control or management position in some portfolio companies, and may acquire a minority interest in others. Each type of investment has its own inherent risks. The success of a portfolio investment will also depend on the company's management team, which typically assumes responsibility for day-to-day operations, as well as any other participants investing along with a Fund. Additionally, factors unique to each portfolio company (*e.g.*, the failure of a key product or the loss of key personnel) may adversely impact such portfolio company. The use of borrowed money to make an investment or otherwise in connection with a portfolio company may also increase the exposure of a Fund or the portfolio company to adverse economic factors. Certain Funds may focus on high-return opportunities in growth industries. This focus may present particular risks because of, among other things, the high barriers to entry to which this sector is subject. Additionally, a variety of factors outside Registrant's control could adversely affect the operation of any portfolio company as well as a Fund's ability to sell an investment on favorable terms (if at all), or give rise to an unexpected need to dispose of an investment at a disadvantageous time.

U.S. and global market and economic conditions may impact the ability to, among other things: (a) make investments and effect exits on favorable terms, (b) secure and improve the performance of portfolio companies, (c) access (or cause portfolio companies to access) credit markets on favorable terms (or at all), and (d) attract co-investors and other counterparties to do business with the Funds. There can be no assurance as to the future direction of national and global market and economic conditions. The Funds can also be materially adversely impacted by changes in national or global political conditions.

Fund investors are, and will be, severely restricted in their ability to assign, sell, exchange or transfer their interests in, or to withdraw from, a Fund, and must be prepared to bear the risks of owning interests for an extended period of time. Registrant also does not intend to cause the Funds to be registered under the Investment Company Act of 1940, and therefore Fund investors are not afforded the protections of the Investment Company Act of 1940.

Each Fund's indemnification obligations to its general partner/managing member and certain other related parties are payable from Fund assets (including the investors' unpaid commitments), and the Fund may recall distributions previously made to investors, subject to certain limitations.

The Funds are generally structured so that their underlying assets will not constitute assets of any plan subject to Title I of ERISA or Section 4975 of the United States Internal Revenue Code of 1986, as amended. This may restrict a Fund's activities, preclude it from making certain investments, and require it to take actions that may expose the assets of the Fund to claims or liabilities. Failure to structure the Fund accordingly may also expose a Fund to additional duties and liabilities under ERISA.

Funds are generally expected to be treated as pass-through vehicles for U.S. federal income tax purposes. Investments in the Funds give rise to a variety of complex U.S. federal income tax and other tax issues for both tax-exempt and non tax-exempt investors.

Certain Funds focus their investments in companies operating in China and Asia. In addition to the risks noted above, Registrant's investments in companies operating in China and Asia involve certain additional risks, including but not limited to risks stemming from the Chinese legal system, the Chinese tax system, and from any political, economic, social, or diplomatic changes in China and Asia. A Fund's investments in Chinese portfolio companies or enterprises present additional unique tax risks for investors in such Fund.

### **Potential Conflicts of Interest**

There will be occasions when Registrant and its affiliates may encounter potential conflicts of interest in connection with the Funds. Such conflicts may include the following:

- The existence of "carried interest," which is discussed further in Item 6 above.
- A Fund's general partner/managing member or its affiliates may receive certain fees from portfolio companies and/or in connection with unconsummated transactions (*e.g.*, transaction, investment banking, break-up, topping, advisory, monitoring, directors or other similar fees).
- Registrant personnel generally devote time to multiple Funds and activities of other Registrant affiliates.
- Funds may on occasion engage in certain affiliated or interested transactions, as further discussed in Item 11 below.

- As further discussed in Item 6 above and Item 10.C below, Registrant may be presented from time to time with investment opportunities that meet the investment objectives of one or more Funds and/or other Registrant-advised investment vehicles.

Conflicts of interest, and the methods Registrant and its supervised persons utilize to address these conflicts, are generally disclosed to Fund investors in each applicable Fund's governing agreements before they invest.

To address conflicts of interest such as those described above, Registrant's investment professionals prepare an investment memorandum for each new investment opportunity or other transaction. Registrant's Chief Compliance Officer (the "CCO") reviews these investment memoranda. If the CCO identifies any actual or potential conflicts of interest, the CCO reviews the actual or potential conflicts with senior management personnel ("Registrant Management") and legal counsel, if deemed appropriate, in order to recommend courses of action to Registrant Management. Registrant Management determines the specific actions to be taken.

In addition, the governing agreements for the Funds generally contain specified procedures to address certain conflicts of interests. These procedures may include (i) requiring a Fund general partner/managing member to take certain actions to mitigate the conflict of interest or (ii) referring a conflict of interest transaction to a Fund's investor advisory committee ("IAC"). An IAC is comprised of representatives of investors in the applicable Fund and is typically authorized to grant consents on behalf of the Fund.

#### C. Recommendations of Particular Securities

The Funds have traditionally invested in companies involved in several industry sectors. The risks described in Item 8.B apply with respect to each of these investment types.

### ITEM 9 - DISCIPLINARY INFORMATION

Registrant is not aware of any legal or disciplinary events that would be material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

### ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### A. Broker-Dealers

Neither Registrant 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.

#### B. Futures and Commodity Trading

Neither Registrant 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.

### C. Material Relationships

Registrant and its affiliates form the Funds to make private equity and related investments. Registrant (directly or through its affiliates) provides investment management services to such Funds. These relationships and related management or other fees are disclosed in the private offering materials in connection with the launch of such Funds.

The Funds may on occasion compete for the same investment opportunities. In response to the potential conflicts created by such competition, Registrant seeks to allocate investment opportunities among the Funds in a fair and equitable manner, bearing in mind, among other things, the size, investment objectives, risk tolerance, return targets, permissible and preferred asset classes and liquidity needs of each Fund. In addition, certain Fund governing agreements prescribe additional requirements for the allocation of investment opportunities, which will be disclosed to investors prior to their investment in such Fund. Under no circumstances may Registrant or any affiliate allocate investment opportunities based on anticipated compensation or profits to Registrant, any affiliates or their employees. Each Fund has its own investment guidelines, charter and organizational documents that are taken into account when making investment allocation determinations.

Potential conflicts of interest, and the methods Registrant and its supervised persons utilize to address these conflicts, are disclosed to Fund investors in further detail in each applicable Fund's governing agreements before they invest.

### D. Recommendation or Selection of Other Investment Advisers

Registrant does not recommend or select other investment advisers for its clients, nor does it receive compensation directly or indirectly from any such advisers.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### A. Code of Ethics

Registrant is a fiduciary to its clients, currently the Funds. This means that Registrant and its employees must put the interests of the Funds first. To that end, Registrant employees are required to:

- Place the interests of the Funds above any personal interests;
- Seek to identify conflicts of interest and observe established resolution procedures as described in Registrant's Code of Ethics and Compliance Manual;
- Avoid misleading or inaccurate statements that may be attributed to Registrant;
- Conduct personal securities transactions in a manner consistent with Registrant's Code of Ethics (including pre-clearance (if applicable) and reporting of transactions);

- Report any violations of Registrant's Code of Ethics, or Registrant's Compliance Manual generally, to its CCO; and
- Comply with Registrant's Code of Ethics, its Compliance Manual, and applicable provisions of the federal securities laws as well as any other laws applicable to Registrant.

See Items 11.C and 11.D below for further details regarding Registrant's Code of Ethics.

Copies of Registrant's Code of Ethics are available to any client or prospective client upon request.

Registrant's policies and procedures for addressing conflicts of interest generally are also described in more detail at Item 8.B above.

#### B. Participation or Interest in Client Transactions

Registrant (directly or through its affiliates) provides ongoing portfolio management for the Funds. Investment decisions with respect to the Funds are made by the Investment Committee of each Fund. Registrant Management is responsible for monitoring and managing each respective Fund's investment portfolio in accordance with the particular Fund's investment objectives, limitations, and guidelines, and as set forth in the Fund's governing agreements.

Registrant is subject to restrictions disclosed to investors in the applicable Fund offering materials and governing agreements relating to principal transactions, cross trades and other affiliated transactions, in which Registrant or its employees may have interests that are adverse to, or in any event potentially not aligned with, the interests of one or more of the Funds.

A "principal transaction" occurs when Registrant, or one of its affiliates, sells a security to or buys a security from an advisory client (currently, the Funds). Principal transactions are generally permitted only if Registrant (i) makes written disclosure to the Fund of the capacity in which it is acting and (ii) obtains the Fund's prior consent to the transaction. Registrant will not ordinarily enter into principal transactions. However, if Registrant deems it to be in a Fund's best interest to be party to a principal transaction, Registrant may enter into a principal transaction if the transaction complies with the applicable Fund's governing agreements and SEC requirements and if Registrant consults with its CCO prior to entering into such transaction.

A "cross trade" occurs when an investment is sold from one Fund to another. Cross trades present a risk that the terms of the transaction favor one Fund (and its underlying investors) at the expense of the other. Registrant may face conflicts of interest in seeking to establish fair terms for such a transaction. Any such cross trades will be effected only in accordance with the Advisers Act and otherwise in compliance with the procedures set forth in the governing agreements of the applicable Funds.

An "affiliated transaction" includes a principal transaction, a cross trade and any other transaction in which Registrant or any of its employees has any other interest in the transaction. In general, the Advisers Act and the governing agreements of each Fund prohibit any transaction

with Registrant or its affiliates unless the terms of such transaction are on an arm's-length basis and on terms no less favorable to the applicable Fund than would be obtained in a transaction with an unaffiliated party, or unless the Fund consents to the transaction.

To address the conflicts of interest described above, Registrant investment professionals prepare an investment memorandum for each new investment opportunity or other transaction. The CCO reviews these investment memoranda. If the CCO identifies any actual or potential conflicts of interest, the CCO reviews the actual or potential conflicts with Registrant Management and legal counsel, if deemed appropriate, in order to recommend courses of action to Registrant Management. Registrant Management determines the specific actions to be taken.

#### C. Personal Trading

Conflicts of interest may arise between a Fund and Registrant when Registrant or a related person invests in the same securities that it recommends to Funds, or has another interest in a transaction that is, or may be, in conflict with the interest of any of the Funds.

Registrant employees may have personal conflicts of interest, such as (i) a material interest in a transaction to be entered into with or for a Fund, (ii) a relationship that gives or may give rise to a conflict of interest in relation to a transaction or (iii) another interest in a transaction that is, or may be, in conflict with the interest of any Funds.

To address these conflicts, Registrant's Code of Ethics (discussed in Item 11.A above) requires, among other items, that each Registrant employee submit (or cause to be submitted) to the CCO a report of his or her current holdings of covered securities, including securities holdings of any account which such employee manages or exercises (or shares) investment discretion, as well as holdings of his or her domestic partner and any immediate family members residing with or materially supported by the employee (collectively, "Immediate Family Members"). The employee must update this report annually.

Registrant's Code of Ethics also requires that all Registrant employees and their Immediate Family Members obtain the approval of the CCO before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or a private transaction (*e.g.*, private placements and limited offerings). The CCO may place additional restrictions on an employee's personal trading activities. The CCO monitors employees' personal securities trading for unusual or excessive trading patterns.

#### D. Personal Trading Contemporaneous with Client Transactions

Conflicts of interest may arise when Registrant (or a related person) or its employees buy or sell securities for client accounts at or about the same time as it buys or sells the same securities for its own account. In these situations, Registrant addresses actual or potential conflicts of interest in the manner outlined in Item 11.C above.

In addition to the report of current holdings described in Item 11.C above, Registrant's Code of Ethics requires that employees must submit (or cause to be submitted) a quarterly transaction report giving information on the employee's personal trading activities (which must include

covered securities transactions by such employee as well as his or her Immediate Family Members). Additionally, Registrant's Code of Ethics mandates that employees may only maintain securities account(s) (over which they have direct or indirect influence or control) with a qualified financial institution. All Registrant employees and their Immediate Family Members must also obtain the approval of the CCO before directly or indirectly acquiring beneficial ownership in any security in an initial public offering or a private transaction (*e.g.*, private placements and limited offerings). The CCO may place additional restrictions on an employee's personal trading activities. The CCO monitors employees' personal securities trading for unusual or excessive trading patterns.

Employees are generally not permitted to buy or sell any security (or cause another person to do so) if the employee is in possession of "material" non-public information relating to the issuer or the transaction. Employees also may not disclose this information to a third party to use in securities transactions. In general, "material" information means information that would reasonably affect, or have a significant impact on, an investor's decision to buy or sell a security, or information that would have been viewed by a reasonable investor as having significantly altered the "total mix" of information available.

## **ITEM 12 - BROKERAGE PRACTICES**

### **A. Selection of Broker-Dealers**

Given the nature of the Funds' investment program, Registrant does not usually transact through broker-dealers. However, in situations where Registrant may need to select a broker-dealer, Registrant will consider the broker's execution capabilities, including block positioning, research, financial stability, ability to maintain confidentiality, delivery and ability to obtain best execution for all client securities transactions. Registrant does not have any agreements in place that require that Registrant give any specified amount of brokerage to any broker-dealer.

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

In practice, Registrant's investment program typically does not focus on investments in listed companies. As a result, it is Registrant's policy not to enter into soft dollar arrangements or to accept soft dollars.

#### **2. Brokerage for Client Referrals**

Registrant does not consider whether it or a related person receives client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers.

#### **3. Directed Brokerage**

Directed brokerage occurs when a client directs an adviser to execute transactions through a specified broker-dealer. This practice may cause clients to pay more money because the adviser cannot aggregate purchases or sales of securities with a broker-dealer and obtain a more favorable rate. Directed brokerage also occurs when an adviser routinely recommends, requests or requires clients to execute transactions through a specified broker-dealer. Given that

Registrant or its affiliates generally maintain investment discretion on behalf of the Funds, Registrant can generally require the Funds to use a specified broker-dealer.

**B. Aggregation of Orders of Securities for Client Accounts**

Although the investments of the Funds do not generally require the services of a broker-dealer, Registrant may seek to aggregate orders of securities for the accounts of the Funds where practicable.

**ITEM 13 - REVIEW OF ACCOUNTS**

**A. Periodic Review of Client Accounts**

The portfolio investments of the Funds are regularly reviewed by Registrant's investment professionals. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio company owned by the Funds. Registrant Management performs periodic comprehensive reviews. The offering materials for each Fund contain specific descriptions of the oversight and monitoring of the portfolio investments of such Fund.

**B. Factors that Trigger a Review of Client Accounts**

Registrant's investment professionals review the portfolio investments of Funds on a periodic basis. There are no specific triggers to launch a portfolio review.

**C. Reports to Clients Regarding Their Accounts**

Registrant (directly or through its affiliates) delivers written financial reports to the Funds (and their investors) on a quarterly basis. These reports include information relevant to the Fund's investments (and each investor's investment in such Fund). In general, the Funds (as well as each investor therein) receive written audited annual financial statements (including a balance sheet and a statement of income or loss) and a summary of the portfolio investments of the applicable Fund.

**ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Client Referrals**

Registrant does not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to the Funds.

**B. Compensation for Client Referrals**

Registrant or its affiliates may sometimes enter into arrangements in which persons (including Registrant affiliates) assist in the capital-raising efforts of a Fund in exchange for a fee. The fee paid, if any, to such persons may be calculated as a percentage of funds raised by such persons, as specifically negotiated between Registrant and each such person. These relationships could affect the independence of such person in connection with their recommendations of a particular



Fund. Neither Registrant nor its affiliates engage any placement agent or finder that is not duly registered with FINRA or otherwise in compliance with the Advisers Act. These types of arrangements are disclosed in the relevant Fund offering materials.

## **ITEM 15 - CUSTODY**

As required by SEC rules, Registrant maintains any client assets with “qualified custodians.”

For those clients for which Registrant is deemed to have custody of client assets within the meaning of the Advisers Act, such clients are audited and receive audited financial statements within 120 days of the end of each fiscal year (as do investors therein). Consequently, such clients (as well as investors therein) will not receive reports directly from Registrant’s “qualified custodian.”

## **ITEM 16 - INVESTMENT DISCRETION**

Registrant (directly or through its affiliates) has discretionary authority to manage the investment portfolios of each of the Funds. This authority is limited by each Fund’s governing agreements and investment guidelines, as specifically negotiated between Registrant and Fund investors. For additional discussion of limitations clients may impose on investing in certain investments or types of investments, see Item 4.C above.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### **A. Authority to Vote Client Securities**

Rule 206(4)-6 under the Advisers Act requires all investment advisers who exercise voting authority over client proxies to: (i) adopt policies and procedures for voting proxies in the best interest of the client; (ii) describe the procedures to clients; and (iii) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Registrant has policies and procedures that Registrant believes are reasonably designed to ensure that proxies are voted in the best interests of Funds and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. The general policy of Registrant is to vote proxy proposals, amendments, consents or resolutions (collectively, “proxies”) relating to a Fund in a manner that serves the best interest of the Fund, as determined by Registrant in its discretion, taking into account relevant factors, such as (but not limited to) the impact on the value of the returns of the relevant Fund and industry and business practice.

If Registrant determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Registrant will take action in accordance with the applicable Fund’s governing agreements or as otherwise determined by Registrant to be in the best interest of the Fund. This may include, but is not limited to, seeking approval of the voting decision for such proxy proposal from a relevant Fund’s IAC (if applicable).

The CCO is responsible for identifying any potential conflict of interest for each proxy, and reporting this information to Registrant Management. Registrant Management is responsible for

determining how to vote such proxies and whether to confer with the IAC of an applicable Fund before voting.

The CCO is responsible for monitoring compliance with Registrant's proxy voting policies and procedures. The CCO will also maintain, or have available, written or electronic copies of each proxy statement received and of each executed proxy, as well as all applicable records relating to each proxy.

Information requests regarding Registrant's proxy voting policies and procedures and/or how Registrant has voted on specific proxies may be made to the CCO.

Because Registrant has authority to vote client securities, Item 17.B of Form ADV Part 2A (addressing considerations if an adviser does not have authority to vote client securities) has been omitted.

## **ITEM 18 - FINANCIAL INFORMATION**

### **A. Balance Sheet**

Not applicable.

### **B. Financial Conditions Likely to Impair Contractual Commitments**

Registrant is unaware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients.

### **C. Bankruptcy Petitions**

Registrant has not been the subject of a bankruptcy petition at any time during the past ten years.