

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

**HARREN EQUITY PARTNERS, LLC**

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**March 28, 2013**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Harren Equity Partners, LLC (“Harren”). If you have any questions about the contents of this Brochure, please contact Lee J. Monahan at (434) 245-5800. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

There have been no material changes to this Brochure since the last version dated February 14, 2012.

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## **ADVISORY BUSINESS**

Harren Equity Partners, LLC (“Harren”), a Delaware limited liability company and a registered investment adviser, provides investment advisory services to private investment funds. Harren commenced operations in 2006 but is part of a private investment management firm that was founded in 2000 by Thomas A. Carver. Currently, Harren’s principal owners are Thomas A. Carver and Lee J. Monahan. As of December 31, 2012, Harren managed approximately \$192.5 million in client assets on a discretionary basis.

Harren serves as the management company of Harren Investors II, L.P. and Harren Investors II-B, L.P., each a Delaware limited partnership (collectively and together with any parallel and alternative investment vehicles, the “Fund” and together with any future private investment fund managed by Harren, the “Private Investment Funds”). Harren Advisors II, L.P., a Delaware limited partnership, is the Fund’s general partner (the “General Partner,” and collectively with Harren, the “Advisers”). The General Partner is registered under the Investment Advisers Act pursuant to Harren’s registration in accordance with SEC guidance and is under common control with Harren. This Brochure also describes the business practices of the General Partner, which operates as a single advisory business together with Harren.

The General Partner has the authority to make all investment decisions on behalf of the Fund. Pursuant to the Fund’s agreement of limited partnership (the “Partnership Agreement”) and a management agreement (the “Management Agreement”) between Harren, the General Partner and the Fund, the General Partner has delegated day-to-day advisory responsibility to Harren. However, the General Partner acts in its separate and special capacity as described in the Partnership Agreement.

In its capacity as the management company of the Fund, Harren has the authority to manage the business and affairs of the Fund. The Fund is a private equity fund and invests through negotiated transactions in operating entities. Harren’s investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although limited investments in public companies are permitted. When investing in portfolio companies, the senior principals or other personnel of the Advisers may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Fund.

Harren’s advisory services for the Fund are detailed in the Fund’s private placement memoranda, management agreement and Partnership Agreement and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Fund participate in the Fund’s overall investment program but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

Harren also serves as the manager of a co-investment vehicle through which Harren employees and affiliates and certain other persons with a close family or business relationship with Harren invest side-by-side with the Fund, subject to limitations set forth in the Fund’s Partnership Agreement (collectively, the “Co-Invest Fund”).

## **FEES AND COMPENSATION**

In general, Harren ultimately receives a management fee in connection with advisory services it provides to the Fund and the General Partner under the Management Agreement. The General Partner receives a carried interest. Harren and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Fund and such additional compensation may offset in whole or in part the management fees otherwise payable to Harren. Investors in the Fund also bear certain fund expenses. A summary of the Fund's fees follows. Fund investors should refer to the Fund's Partnership Agreement for the detailed fee provisions.

### **Management Fees**

The Fund pays Harren (via the General Partner) a management fee (the "Management Fee") equal to 2.0% on an annual basis of aggregate non-affiliated investor capital commitments ("Commitments") payable semi-annually, partially in arrears and partially in advance. Investors participating in a closing after the Fund's initial closing date bear the Management Fee from the initial closing date. The Management Fee may be reduced upon the occurrence of certain events as set forth in the Partnership Agreement. The Management Fee will be payable until all portfolio investments are distributed. Installments of the Management Fee payable for any period other than a full six-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee may be reduced by a percentage of any breakup fees and transaction and monitoring fees earned by the Advisers or their affiliates; provided that such percentage shall increase under certain conditions specified in the Partnership Agreement. In addition, the Management Fee is also offset by any private placement and finders' fees paid and organizational fees in excess of the cap stated in the Partnership Agreement, to the extent any such fees are incurred. Harren may also receive amounts from portfolio companies as compensation for services or as reimbursement of expenses as described in the Partnership Agreement.

As permitted under the Partnership Agreement, the General Partner may waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee may reduce the amount of capital the General Partner would otherwise be required to contribute to the Fund for investments. The limited partners of the Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above.

### **Carried Interest**

The General Partner is entitled to receive a carried interest with respect to the Fund equal to 20% of realized profits after distributing a preferred return, subject to a General Partner catch-up provision as more fully described in the Partnership Agreement. The carried interest distributed to the General Partner is subject to a potential giveback at the end of life of the Fund if the General Partner has received excess cumulative distributions.

## **Other Information**

Harren may exempt certain investors in the Fund from payment of all or a portion of Management Fees and/or carried interest, including the General Partner, its affiliates and any other person designated by the General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption or through the Co-Invest Fund.

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

Principals or other employees of Harren or the General Partner may receive a portion of the Management Fee, carried interest or other compensation received by Harren or its affiliates.

In addition to the Management Fee and carried interest, Private Investment Funds bear certain other expenses. Pursuant to the Partnership Agreement, the Fund bears all expenses to the extent not paid by portfolio companies, including legal, accounting, investment banking, travel (including private aircraft costs), consulting, research, brokerage, finder's fees, custody, transfer, registration, insurance, advisory board, interest, taxes, extraordinary expense and other similar fees and expenses, but not Harren expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

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

As described under "Fees and Compensation," Harren receives a carried interest allocation on certain realized profits in the Fund. The Co-Invest Fund is not charged a performance-based fee. Since participation in the Co-Invest Fund is limited to Harren employees and affiliates and certain other persons with a close family or business relationship with Harren, including selected service providers, and the Co-Invest Fund invests side-by-side with the Fund subject to the terms set forth in the Partnership Agreement, Harren's view is that this practice does not present a conflict of interest.

### **TYPES OF CLIENTS**

Harren provides investment advice to Private Investment Funds, including the Fund. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Harren and its affiliates.

The Fund generally has a minimum investment amount of \$2,500,000 for third-party investors, which could be waived by the General Partner. The Fund interests are offered and sold solely to qualified purchasers (or qualified knowledgeable Harren personnel). The Fund is closed and not accepting new investors.

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

### **General**

The General Partner has selected Harren to provide day-to-day investment advisory services to the Fund, subject to the General Partner's supervision. The Advisers share common owners and personnel. Accordingly, the Advisers' investment methodology is described below.

The Advisers focus primarily on making investments of up to \$35 million in companies with enterprise values that range from \$20 million to \$100 million (the "Lower Middle Market"). The Advisers seek to take majority equity positions in Lower Middle Market Companies through leveraged acquisitions and recapitalization transactions with participation by management. The Advisers maintain a broad industry focus, although the Advisers may occasionally target opportunities in a particular industry in which they believe the fundamentals are particularly attractive or in which the Advisers' principals have experience or expertise. The Advisers take a hands-on approach with the management of portfolio companies. The Advisers also concentrate on making operational improvement through on-site work with portfolio companies.

There can be no assurance that Harren will achieve the investment objectives of the Fund and a loss of investment is possible.

### **Investment and Operating Strategy**

*Investment Evaluation.* Day-to-day responsibility for each acquisition candidate is typically assigned to a team of two or three of the Advisers' investment professionals. This team updates the entire investment team at a weekly deal meeting and more frequently on an informal basis. For candidates that progress toward acquisition, the evaluation process eventually culminates in an investment committee meeting in which the team must defend all aspects of the diligence process and its investment conclusions. The evaluation process begins with an assessment of the management team. In addition to extensive due diligence undertaken by the Advisers' professionals, the Advisers engage third party advisors to assist in the analysis of the business prospects of the company and issues related to the structure of a transaction. As part of this process, the Advisers seek to develop a strong working relationship with management in order begin the creation of a strategic plan for the business, which will serve as the basis for the initiatives to be pursued during the investment period.

*Investment Acquisition.* Prior to acquiring a company, the investment team will consider, among other factors, (i) identifiable growth potential, (ii) scalability of the business model, (iii) the ability of the Advisers and management to address existing operational issues effectively, and (iv) the presence of an agreeable strategic plan developed in partnership with management during due diligence. The Advisers prefer to utilize simple transaction structures that typically include only one class of stock in order to promote transparency and alignment of interests among all shareholders, including the managers of a business, who typically maintain a

significant equity interest in the company. In general, the moderate amount of leverage utilized by the Advisers often allows for greater investment in growth capital to further accelerate growth. The Advisers attempt to maximize the utility of tax structuring and other financial instruments that can positively impact risk-adjusted returns to the Fund.

*Ownership Activity.* The Advisers work with management post-acquisition to implement the strategic plan that was developed during the investment evaluation process. The Advisers employs their operations focus and spend time on-site as necessary to support management. An annual strategic assessment is conducted to measure progress versus the original plan and to evaluate areas for continued improvement.

*Realization Process.* The decision to exit an investment requires a subjective assessment of company performance, future prospects, market conditions, and other factors, including the desires and plans of management. The Advisers typically anticipate an investment period of three to seven years. In general, the timing of an exit is dictated by the progress a company has made with respect to its strategic plan.

## **Risks of Investment**

The Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in the Fund include, but are not limited to:

Business Risks. The Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

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

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

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

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Fund investors will be required to pay annual management fees during the investment period based on the entire amount of their Commitments.



Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investments. Furthermore, the expenses of operating the Fund (including the annual management fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Leveraged Investments. The Fund's investments may be in companies whose capital structures are highly leveraged. Such investments involve a high degree of risk in that adverse fluctuations in the cash flow of such companies, or increased interest rates, may impair their ability to meet their obligations, which may accelerate and magnify declines in the value of any such portfolio company investments in a down market.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Fund's investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners.

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Fund is vested entirely with the Advisers, and the Fund's future profitability will depend largely upon the business and investment acumen of the Advisers' principals. The loss of service of one or more of the Advisers' principals could have an adverse effect on the Fund's ability to realize its investment objectives. Fund investors generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the Advisers. Although the Advisers will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

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

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

Non-U.S. Investments. The Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund) and the application of complex tax rules to cross-border investments.

Significant Default Penalties. The Partnership Agreement provides for significant penalties and other adverse consequences in the event a Fund investor defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from the Fund, a defaulting investor may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

General Partner's Carried Interest. The fact that the General Partner's carried interest is based on a percentage of net profits, may create an incentive for the General Partner to cause the Fund to make riskier or more-speculative investments than would otherwise be the case.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Advisers' principals, and increased costs associated with each of the aforementioned risks.

Director Liability. The Fund will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of

modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Fund makes investments.

### **Conflicts of Interest**

During the investment period of the Fund, all appropriate investment opportunities will be pursued by the Advisers' principals through the Fund, subject to certain limited exceptions. Without limitation, the Advisers' principals currently manage several other investments similar to those in which the Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Advisers' principals and investment staff will continue to manage and monitor such investments until their realization. Harren believes that the significant investment of the Advisers' principals in the Fund, as well as the principals' interest in the carried interest, operate to align, to some extent, the interest of the principals with the interest of the Fund's investors. Such other investments that the Advisers' principals may control may potentially compete with companies acquired by the Fund. In the event a conflict of interest arises, the Advisers will attempt to resolve such conflict of interest in light of its obligations to Fund investors, and will attempt to allocate investment opportunities in a fair and equitable manner. Where necessary, the Advisers may consult with and receive consent to conflicts from an advisory committee consisting of certain Fund investors. Following the investment period of the Fund, the Advisers' principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Fund's investments.

### **DISCIPLINARY INFORMATION**

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

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

Harren is affiliated with the General Partner, which is registered with the SEC under the Advisers Act pursuant to Harren's registration in accordance with SEC guidance. Harren and the General Partner operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of the Advisers' principals and employees and addresses conflicts that arise from personal trading. The Code requires all of the Advisers' personnel to report their personal securities transactions and to obtain approval from the Advisers' Chief Compliance Officer prior to acquiring, directly or indirectly, beneficial ownership of certain restricted securities and securities in an initial public offering or in a limited offering. A copy of the Code will be provided to any investor or prospective investor upon request to Thomas A. Carver, Harren's Managing Partner, at (434) 245-5800. Personal securities transactions by employees who manage client accounts are

required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers may be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Fund.

Principals and employees of the Advisers and its affiliates may directly or indirectly own an interest in Private Investment Funds, including the Co-Invest Fund. With respect to the Fund, Harren and its affiliates have committed to co-invest an amount equal to 5% of the Fund's aggregate Commitments on a pro-rata basis with the Fund. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Fund.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Fund, even though their investment objectives may be the same or similar. The Fund's Partnership Agreement limits the extent to which persons affiliated with the Advisers and/or other investment vehicles managed by the Advisers and their affiliates, including the Co-Invest Fund, may invest in investments held, suitable for or being pursued by the Fund.

### **BROKERAGE PRACTICES**

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

If the Advisers sell publicly traded securities for the Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and

execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

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

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services. As a general matter, any such research may be shared between the Advisers and their affiliates and may be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the brokerage commission being applied toward payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services

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

## **REVIEW OF ACCOUNTS**

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

The Fund will provide to its limited partners (i) on an annual basis (A) audited financial statements, (B) tax information necessary for each limited partner’s tax return, (C) valuations of

the Fund's investments and unaudited reports regarding the valuation of each portfolio company held by the Fund, and (ii) on a quarterly basis (for the first three quarters of the fiscal year) (A) unaudited financial statements and (B) reports providing a narrative summary of the status of each portfolio company investment in each case subject to exceptions permitted under the Partnership Agreement.

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

Harren and/or its affiliates may provide certain business or consulting services to companies in the Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, Harren and/or its affiliates may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees and expenses payable to any such placement agents will ultimately be borne by Harren and/or the applicable General Partner directly or indirectly through an offset against the Management Fee or otherwise.

#### **CUSTODY**

The Advisers maintain custody of the Fund's assets held in the Fund's name with Fifth Third Bancorp, a qualified custodian located at 121 South Main Street, 5<sup>th</sup> Floor, Akron, Ohio 44308.

#### **INVESTMENT DISCRETION**

Harren has discretionary authority to manage investments on behalf of the Fund. As a general policy, Harren does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Harren may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Harren assumes this discretionary authority pursuant to the terms of the Management Agreement and powers of attorney executed by the limited partners of the Fund.

#### **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the "Proxy Policy") to address how they will vote proxies, as applicable, for the Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Fund, including where there may be material conflicts of interest in voting proxies. The Advisers generally believes their interests are aligned with those of the Fund's investors through the principals' beneficial ownership interests in the Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the

Advisers may address the conflict using several alternatives set forth in the Proxy Policy. Additionally, the Fund's limited partner advisory board may approve the Advisers' vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by the Advisers' personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Fund. If you would like a copy of the Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Lee J. Monahan, the Firm's Chief Compliance Officer, at (434) 245-5800, and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

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