

**INVESTMENT ADVISER BROCHURE**

**RELATIVITY MANAGEMENT, LLC**

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**April 1, 2013**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Relativity Management, LLC (“Relativity Management”). If you have any questions about the contents of this Brochure, please contact us at 703-812-3020. 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.**

Relativity Management 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 Relativity Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

This Form ADV Part 2A has been revised since the version dated February 6, 2012 to update the amount of discretionary assets under management reflected in the section entitled “Advisory Business.”

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## ADVISORY BUSINESS

Relativity Capital is a private investment management firm, including several registered investment advisory entities (collectively, “**Relativity Capital**”), that manages private fund assets. Relativity Capital commenced operations in April 2006.

Relativity Management, a Delaware limited liability company and a registered investment adviser, and its affiliated investment adviser provide investment advisory services to private investment funds. Relativity Management commenced operations in April 2006.

Relativity Management serves as the management company of Relativity Fund, L.P., a Delaware limited partnership (together with any parallel and alternative investment vehicles, “**Relativity Fund**”) and Relativity Executive Fund, L.P., a Delaware limited partnership (together with any parallel and alternative investment vehicles, “**Relativity Executive Fund**” and together with Relativity Fund, the “**Funds**,” and the Funds together with any future private investment fund managed by Relativity Management, the “**Private Investment Funds**”). Relativity Partners, L.P., a Delaware limited partnership (“**Relativity Partners**” and together with Relativity Management, the “**Managers**”), serves as the general partner of the Funds. Relativity Partners is registered under the Advisers Act pursuant to Relativity Management’s registration in accordance with SEC guidance. This Brochure also describes the business practices of Relativity Partners, which operates as a single advisory business together with Relativity Management. The Managers have the authority to manage the business and affairs of the Funds. The Funds and any other Private Investment Funds that may be formed by the Managers at a later date are expected to invest through negotiated transactions in operating entities. The Managers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating and consummating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted, subject to certain restrictions. From time to time, where such investments consist of portfolio companies, the principals or other personnel of the Managers or their affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

The Managers’ advisory services for Private Investment Funds are detailed in the applicable private placement memoranda and limited partnership agreements of the Private Investment Funds and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in the overall investment program for the applicable Private Investment Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or the Managers have entered and in the future may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, altering, or supplementing a Fund’s limited partnership agreement.

As of December 31, 2012, the Managers managed approximately \$37,837,190 in client assets on a discretionary basis. Relativity Holding, LLC, a Delaware limited liability company, acts as the general partner of Relativity Partners. The Managers are principally owned by Leslie Armitage and Joyce Johnson-Miller.

## FEES AND COMPENSATION

In general, the Managers receive a management fee and a carried interest in connection with advisory services provided to Relativity Fund. The managers do not receive a management fee or carried interest in connection with advisory services provided to Relativity Executive Fund. The Managers or other Relativity Capital entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Relativity Management. Investors in the Funds also bear certain fund expenses.

### Management Fees

Relativity Fund will pay Relativity Partners an annual management fee (the “**Management Fee**”) payable partially in advance and partially in arrears equal to 2.0% of aggregate Relativity Fund investor capital commitments (“**Commitments**”). Commencing with the first Management Fee due date after the expiration of the period (the “**Investment Period**”) commencing on the initial closing date of the Relativity Fund and ending on the sixth anniversary of the date as of which Relativity Partners notifies the limited partners that the Managers have commenced reviewing investment opportunities for Relativity Fund or earlier upon the occurrence of certain events as set forth in the Relativity Fund partnership agreement (each of the Relativity Fund partnership agreement and the Relativity Executive Fund partnership agreement are referred to herein as a “**Partnership Agreement**” and together are referred to as the “**Partnership Agreements**”), the Management Fee will equal 2% of (i) the aggregate funded Commitments less (ii) distributions constituting a return of capital and permanent write-downs. Installments of the Management Fee payable for any period other than a full six-month period (including the first Management Fee payment) will be adjusted on a pro rata basis according to the actual number of days in such period.

The Management Fee will be reduced by a specified percentage of (i) any directors’ fees, financial consulting fees or advisory fees earned by Relativity Partners or certain of its affiliates from portfolio companies; (ii) any transaction fees paid by portfolio companies to Relativity Partners or certain of its affiliates; and (iii) any break-up fees from transactions not completed that are paid to Relativity Partners or certain of its affiliates subject, in each case, to certain caps (such fees referred to in clauses (i) through (iii) are herein referred to as “**Supplemental Fees**”).

Relativity Partners reserves the right to waive all or a portion of any future installments of the Management Fee. Any waived portion of a Management Fee installment reduces the amount of capital contributions that Relativity Partners and its affiliates would otherwise be required to contribute after the date such waived amount would otherwise be due.

### Carried Interest

Relativity Partners will receive a carried interest with respect to Relativity Fund equal to 20% of all realized profits in excess of an 8% compounded preferred return, subject to a general partner catch-up provision, as more fully described in the Relativity Fund Partnership Agreement. The carried interest distributed to Relativity Partners is subject to a potential

giveback at the end of life of Relativity Fund if Relativity Partners has received excess cumulative distributions.

It is expected that any future Private Investment Funds will have a similar fee structure.

### **Other Information**

Relativity Partners may exempt certain investors in Private Investment Funds from payment of all or a portion of Management Fees including Relativity Partners and any other person designated by the Managers.

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

Principals or other employees of Relativity Capital may receive a portion of the Management Fee, carried interest or other compensation received by the Managers or their affiliates.

In addition to the Management Fee and carried interest payable to Relativity Fund, the Funds bear certain expenses. As set forth in the Partnership Agreements, the Funds bear all expenses to the extent not paid by portfolio companies, including organizational expenses up to a specified cap, legal, auditing, consulting, financing and custodian fees and expenses; expenses associated with the Fund's financial statements, tax returns and Schedule K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of a limited partner advisory board and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges. 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," Relativity Partners receives a carried interest allocation on certain realized profits of Relativity Fund. The Managers also manage Relativity Executive Fund, which is not charged a performance-based fee. This could present a conflict of interest because the Managers have an incentive to favor accounts for which they receive a performance-based fee. The Managers address this potential conflict of interest by generally causing Relativity Executive Fund to invest in each portfolio company of the Relativity Fund either (a) in the same proportion of its aggregate available Commitments as the portion of Relativity Fund's aggregate available Commitments invested in each such portfolio company or (b) such other portion of their aggregate available Commitments as the Managers determine is fair and equitable. In addition, to the extent reasonably practical, each of the Relativity Executive Fund's investments in a portfolio company shall be sold proportionately at the same

time and on substantially the same terms and conditions as Relativity Fund's investment in such portfolio company, subject to any tax, regulatory or legal restrictions or other considerations.

## **TYPES OF CLIENTS**

The Managers provide investment advice to Private Investment Funds, currently including the Funds. 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 the Managers and their affiliates.

Relativity Fund generally has a minimum investment amount of \$5,000,000 for third-party investors, and Relativity Fund interests are offered and sold solely to qualified purchasers (or qualified knowledgeable Relativity Capital personnel). Such minimum investment amount may be waived by the Managers. Relativity Executive Fund generally has a minimum investment amount of \$500,000, and Relativity Executive Fund interests are offered and sold solely to a limited number of "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

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

### **General**

The Managers' investment strategy is to identify middle market companies, predominantly in North America, that offer high potential for significant capital appreciation. The Managers will seek to find limited auction or non-auction opportunities through the extensive network of the co-heads of the Managers, Leslie L. Armitage and Joyce Johnson-Miller (the "**Founders**"), and through in-depth research into targeted industries where the Founders or members of a strategic advisory board (the "**Strategic Advisory Board**") have significant investment or operational expertise.

### **Investment Origination**

The Managers will proactively seek to create proprietary investment opportunities through a combination of: (i) extensive networks (developed based on the Founders' strong reputations in the marketplace) of merger and acquisition advisors, institutional lenders, workout officers, advisors, attorneys, debt and equity analysts, portfolio managers, senior executives, accountants, brokers, private equity and turnaround investors, and traders and (ii) extensive in-house analytical research capabilities. The Funds generally will make investments in a broad range of industries but will most often target industries in which the Founders have significant investment experience and in industries which present attractive growth or consolidation opportunities. The Managers anticipate focusing on the following industries: aerospace, automotive, business services, civil government contractor, consumer, defense, environmental services, financial services, general manufacturing, healthcare, homebuilding, mining and pulp and paper industries.

## **Investment Analysis/Due Diligence**

After identifying a potential investment opportunity, the Managers' investment team ("**Investment Team**") will conduct rigorous due diligence to identify the prospective risks and rewards of the investment. The Investment Team's due diligence typically will include review of investment memoranda and publicly available information on the target company, identification and analysis of potential legal issues related to the target company, evaluation and reference checks of the target company's management, analysis of its operations, cash flow and earnings projections, as well as the development of forecast models for the target. In distressed situations, the in-liquidation analysis will be performed to evaluate the potential downside of a potential investment. In addition, prior to investing, the Investment Team will conduct a preliminary analysis of the potential exit alternatives, including a sale of securities in the public markets, a strategic sale, a roll-up or a sale of the target company's assets. The Managers will generally consult with vendors, customers, consultants, turnaround experts (where applicable) and other professionals with extensive knowledge of the particular industry to better understand the investment opportunity and the sources of fundamental value in a company. The Investment Team will also meet with target company's management teams to further understand the operations and financial position of the targeted investments and to determine management's capabilities to run the operations going forward.

## **Investment Decision and Execution**

Potential investments of the Funds will require the preparation of an extensive investment memoranda and its presentation to the investment committee of the Managers. The investment memorandum will summarize the results and recommendations of all internal and external industry, financial and operational due diligence and in many instances summarize a recommended exit plan for the investment. Upon approval from the investment committee of the Managers, the transaction will then move into the execution phase of the investment. The investment committee will be controlled by the Founders and must approve all investment decisions.

The Funds may make "seed" investments in middle market companies that meet their investment criteria.

## **Financing**

The Founders believe their wide-ranging contacts across the most active financing institutions will allow the Funds to obtain debt financing with relatively favorable pricing and terms. Further, the broad expertise of the Founders obtained through negotiation and participation in numerous prior debt financing transactions will allow the Funds to structure, negotiate and raise the financing necessary to complete transactions expeditiously.

In distressed situations, the Funds may acquire all or a significant portion of a company's debt obligations and may initially fund their entire investment with a capital draw or from temporary bridge loan facilities available to the Funds. As soon as the Funds acquire ownership control of a company, they may seek to refinance the company's capital structure with third-

party debt, reducing its investment to the “permanent” equity required by the transaction, as more traditionally found in leveraged buy-out transactions.

## **Investment/Portfolio Management**

In most cases, the Funds will seek to have board representation or control and will place one or more Founders, Strategic Advisory Board members or others on the board of directors. Their goal will be to enhance the value of the underlying business through financial, operational, industry-specific or other expertise.

## **Exit**

The Managers’ decision to exit an investment will be based on a variety of factors, including the portfolio company’s progress in achieving their potential, the Investment Team’s view of the industry’s competitive dynamics, the appearance of a willing strategic buyer and the general state of the capital markets. Given the Funds’ primary investment target of middle market companies, the Managers believe the Funds’ exit options include (i) sale or merger to industry players and other private equity players, (ii) recapitalizations or refinancings, and (iii) public market equity offerings.

## **Risk Factors**

In considering participation in the Funds, an investor should be aware of certain risk factors, which include, but are not limited to, the following:

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

2. *Investment in Junior Securities.* The securities in which the Funds 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.

3. *Leveraged Nature of Certain Investments.* The portfolio companies in which the Funds will invest may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs or to pay principal and interest on the Funds’ investments when due. The leveraged capital structure of portfolio companies will increase the exposure of the Funds’ investments to any deterioration in a company’s condition or industry, competitive pressures, an adverse economic environment or rising interest rates. The Funds’ investments may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear floating interest rates. In the event any portfolio company can not generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, the companies and securities in which the Funds will invest generally will not be rated by a credit rating agency.

4. *Concentration of Investments.* The Funds 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 Funds' investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect their respective returns. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

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

6. *Leveraged Investments.* The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and their risk of loss from a particular investment. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs.

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

8. *Reliance on Portfolio Company Management.* Although the Managers 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.

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

10. *Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Funds 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 Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or their 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 Funds to increase their participation in a successful operation.

11. *Non-U.S. Investments.* The Funds may, with advisory board approval, invest in portfolio companies that are organized or have substantial sales or operations outside of the United States and Canada, 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 Funds), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Funds and/or the partners with respect to the Funds' income, and possible foreign tax return filing requirements for the Funds and or the partners. Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

12. *Public Company Holdings.* The Funds' investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Funds 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 Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Founders, and increased costs associated with each of the aforementioned risks.

13. *Non-controlling Investments.* The Funds anticipate that they may hold non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Funds' position in such portfolio companies.

14. *Director Liability.* The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies obtain may be insufficient to adequately protect officers and directors from such liability.

15. *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 Funds make investments.

16. *Bankruptcy Risks.* The Funds expect to invest in distressed companies, including companies that are in bankruptcy or work-out proceedings. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the Funds. Furthermore, there are instances where creditors and equity holders lose their ranking and priority such as when they take over management and functional operating control of a debtor. In those cases where the Funds, by virtue of such action, are found to exercise “domination and control” of a debtor, the Funds may lose their priority if the debtor can demonstrate that their business was adversely impacted or other creditors and equity holders were harmed by the Funds. Generally, the duration of a bankruptcy case can only be roughly estimated. Unless the Funds’ claim in such case is secured by assets having a value in excess of such claim, no interest will be permitted to accrue and, therefore, the Funds’ return on investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors and confirmed by the bankruptcy court. The risk of delay is particularly acute when a creditor holds unsecured debt or when the collateral value underlying secured debt does not equal the amount of the secured claim. Under most circumstances, unless the debtor is proved to be solvent, no interest or fees are permitted to accrue after the commencement of the debtor’s case, as a matter of U.S. bankruptcy law. It should also be noted that reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays. U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds’ influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high. The Managers, on behalf of the Funds, may elect to serve on creditors’ committees, equity holders’ committees or other groups to ensure preservation or enhancement of the Funds position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Managers conclude that their obligations owed to the other parties as a committee or group member conflict with their duties owed to the Funds, they will resign from that committee or group, and the Funds may not realize the benefits, if any, of participation on the committee or group. In addition and also as discussed above, if the Funds are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of their investments in such company while they continue to be represented on such committee or group. The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. To the extent that the Funds invest in a company that is (or becomes) subject to non-U.S. bankruptcy or work-out proceeding, it is possible that such

proceeding may involve adverse consequences to the Funds' investment in addition to, or different from those set forth in this risk factor.

### **Conflicts of Interest**

During the Investment Period of the Funds, the Managers will pursue all appropriate investment opportunities exclusively through the Funds, subject to certain limited exceptions. The Founders have economic and/or management interests in certain other investment funds. The significant investment of the Founders in the Funds, as well as their interest in the Relativity Funds' carried interest, operate to align, to some extent, the interest of the Founders with the interest of the limited partners. Such other investments may compete with the Funds or companies acquired by the Funds. Following the Investment Period of the Funds, the Managers may focus their investment activities on other opportunities and areas unrelated to the Funds' investments.

From time to time, the Managers may provide opportunities to other parties to co-invest with a Fund in a particular investment made by such Fund. In determining which other parties should participate, and the extent of such participation, in such investment opportunities, the Managers and their affiliates are subject to conflicts of interest. The Managers attempt to resolve such conflicts of interest in light of their obligations to investors in such investment vehicles managed by them, and attempt to allocate investment opportunities among the Funds, other Private Investment Funds, and such other parties in a fair and equitable manner and consistent with the governing documents of such entities and the Relativity Capital investment allocation policy. Where necessary, the Managers consult and receive consent to conflicts from an advisory board consisting of limited partners of the Funds or the Private Investment Funds.

Because Relativity Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the Managers to cause the Funds to make riskier or more speculative investments than would otherwise be the case. Since the Managers are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with the Funds' investments, they could have a conflict of interest in connection with approving transactions. The Managers manage this conflict by offsetting, in whole or in part, the Management Fee against such Supplemental Fees.

### **DISCIPLINARY INFORMATION**

The Managers and their 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**

Relativity Partners and Relativity Management are each investment advisers registered with the SEC under the Advisers Act pursuant to Relativity Management's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business and serve as managers or general partners of the Private Investment Funds 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 Managers have adopted the Relativity Capital Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Relativity Capital principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Relativity Capital personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any security in an initial public offering or a limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of or trading upon material non-public information.

A copy of the Code will be provided to any client or prospective client upon request to Jennifer Versaw, the Relativity Capital Chief Compliance Officer, at 703-812-3020. 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 Managers 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 Managers 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 Managers.

Accordingly, should the Managers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Managers would be prohibited from communicating such information to clients, and the Managers 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 Relativity Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Managers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Funds or certain co-investment vehicles. Relativity Capital believes that such interests do not create a conflict of interest and instead operate to align the interests of Relativity Capital personnel with that of the Private Investments Funds.

Relativity Fund will invest together with Relativity Executive Fund in the manner set forth in the Partnership Agreements of the Funds. The Managers will determine the allocation of investment opportunities in a manner as described previously under “Performance-Based Fees and Side-by-Side Management” above.

The Managers 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 Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, Funds, even though their investment objectives may be the same or similar.

From time to time, the Managers may borrow funds on behalf of the Funds or the Private Investment Funds and contribute such borrowed amounts to the Funds (or relevant Private Investment Fund, as applicable) as a special capital contribution for investment, to be returned at a later date. Interest in connection with such borrowing is borne by the Funds (or the relevant Private Investment Fund, as applicable), consistent with the Partnership Agreement (or other governing document) and the expense policy described under “Fees and Compensation.” In borrowing on behalf of the Funds or a Private Investment Fund, the Managers are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Funds or Private Investment Fund, as applicable. The Managers will effect such borrowings in a manner they believe to be fair and equitable to the Funds or Private Investment Fund, as applicable, and consistent with the Managers’ obligations to the Funds and the partnership agreement (or other governing documents).

#### **BROKERAGE PRACTICES**

The Managers focus on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Managers may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Managers 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 Managers sell publicly traded securities for the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Managers. In such event, the Managers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Managers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Managers 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 Managers 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 Managers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Managers generally do not make use of such services at the current time and have not made use of such services since its inception. If the Managers were to use such brokers, the Managers would receive a benefit from such brokers because they would not have to pay for such research. In addition, Private Investment Funds may pay higher commissions than those charged by other broker-dealers that do not provide such research. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Managers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Managers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared between the Managers and their affiliates.

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

The Managers do not anticipate engaging in significant public securities transactions; however, to the extent that the Managers 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 Managers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Managers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Managers are favored over any other Private Investment Fund. If such orders are not batched, it may have the effect of increasing brokerage commissions or other costs. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

## **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 Managers closely monitor companies in which the Private Investment Funds invest, and the Relativity Capital Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Funds will provide to their limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) certain descriptive information for each portfolio company quarterly.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Managers and/or their affiliates may provide certain business or consulting services to companies in Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement of Relativity Fund, this compensation may, in many cases, offset a portion of the Management Fees paid by Relativity Fund. However, in other cases these fees may be in addition to Management Fees. *See "Fees and Compensation."*

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

## **CUSTODY**

The Managers maintain custody of the Funds' assets held in the Funds' name with the following qualified custodians: Bank of America and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

## **INVESTMENT DISCRETION**

The Managers have discretionary authority to manage investments on behalf of the Funds. As a general policy, the Managers do not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreements of the Funds, however, the Managers may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a 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. The Managers assume this discretionary authority pursuant to the terms of the partnership agreement of each Fund and powers of attorney executed by the limited partners of the Funds.

## VOTING CLIENT SECURITIES

The Managers have adopted the Relativity Capital Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Funds’ (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Managers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Managers generally believe their interests are aligned with those of the Funds’ investors through the principals’ beneficial ownership interests in the Funds 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 Managers may address the conflict using several alternatives set forth in the Proxy Policy. Additionally, Relativity Fund’s advisory board may approve the Managers’ vote in a particular solicitation. The Managers do not consider service on portfolio company boards by the Managers, personnel or the Managers’ receipt of 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 Managers when voting proxies on behalf of the Funds. If you would like a copy of the Managers’ complete Proxy Policy or information regarding how the Managers voted proxies for particular portfolio companies, please contact Jennifer Versaw, the Relativity Capital Chief Compliance Officer, at 703-812-3020, and it will be provided to you at no charge.

## FINANCIAL INFORMATION

The Managers do not require or solicit prepayment of management fees more than six months in advance and are not otherwise required to make any disclosure under this item of the Brochure.