

Audax Management Company (NY), LLC

280 Park Avenue, 20th Floor
New York, NY 10017
(212) 703-2700

www.audaxgroup.com

Part 2A of Form ADV: Firm Brochure
March 29, 2013

This brochure provides information about the qualifications and business practices of Audax Management Company (NY), LLC. If you have any questions about the contents of this brochure, please contact us at compliance@audaxgroup.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 Audax Management Company (NY), LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

Item 2 is not applicable to Audax Management Company (NY), LLC.

Item 3. Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5
6	Performance-Based Fees and Side-By-Side Management	6
7	Types of Clients	6
8	Methods of Analysis, Investment Strategies and Risk of Loss	7
9	Disciplinary Information	16
10	Other Financial Industry Activities and Affiliations	16
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
12	Brokerage Practices	28
13	Review of Accounts	29
14	Client Referrals and Other Compensation	30
15	Custody	30
16	Investment Discretion	30
17	Voting Client Securities	30
18	Financial Information	32
19	Requirements for State-Registered Advisers	32

Item 4. Advisory Business

For purposes of this brochure, the “Adviser” means Audax Management Company (NY), LLC, a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Clients (as defined below). Such affiliates may or may not be under common control with Audax Management Company (NY), LLC, but possess a substantial identity of personnel and/or equity owners with Audax Management Company (NY), LLC. Such affiliates may be formed for tax, regulatory, or other purposes in connection with the organization of the Funds (as defined below), or may serve as general partners of the Funds.

The Adviser provides investment supervisory services to (i) investment vehicles (each, a “Fund” and collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and (ii) other institutional clients in separately managed accounts (collectively, the “Separate Account Clients”). The Funds and the Separate Account Clients are collectively referred to herein as the “Clients.”

The Clients make primarily long-term investments in (i) debt securities and (ii) mezzanine securities with debt and equity components. In accordance with the Clients’ respective investment objectives, guidelines, and restrictions, investments are generally made in a broad range of companies doing business globally. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Clients, managing and monitoring the performance of such investments, and disposing of such investments. The Adviser serves as the investment adviser to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or a separate investment and advisory, investment management, or portfolio management agreement (each, an “Advisory Agreement”). The Adviser provides investment supervisory services to each Separate Account Client in accordance with an Advisory Agreement negotiated with such Separate Account Client.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund. Investment objectives, strategies, guidelines and/or restrictions for a Separate Account Client are negotiated with such Separate Account Client and typically memorialized in such Separate Account Client’s Advisory Agreement.

The principal owners of Audax Management Company (NY), LLC are Geoffrey S. Rehnert and Marc B. Wolpov (each of whom holds interests indirectly through intermediate entities). The Adviser has been in business since March 2000. As of December 31, 2012, the Adviser manages a total of \$2.4 billion of client assets, all of which is managed on a discretionary basis.

Item 5. Fees and Compensation

As compensation for investment supervisory services rendered to the Clients, the Adviser receives from each Client an advisory fee (each, an “Advisory Fee”). Co-investment Funds do not pay an Advisory Fee.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser, as modified by negotiations with investors in the Fund, and are set forth in the Fund’s Advisory Agreement and/or organizational documents. Except as provided in the applicable Advisory Agreement or Fund organizational document, the Advisory Fees are generally subject to waiver or reduction by the Adviser only in its sole discretion, whether voluntarily or on a negotiated basis with selected investors. Fees may differ from one Fund to another, as well as among investors in the same Fund. Advisory Fees vary Fund by Fund and are deducted from the assets of a Fund, or may be called as capital from Fund investors, in each case on a monthly or quarterly basis in advance.

Advisory Fees for each Separate Account Client are individually negotiated, and generally are deducted from account assets monthly in advance.

Upon termination of an Advisory Agreement, Advisory Fees that have been prepaid are generally returned on a pro rated basis, except to the extent otherwise requested by certain investors.

In addition, the Adviser may waive or reduce all or a portion of any Advisory Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and/or certain employees and affiliates of the Adviser to invest in such Fund.

To the extent provided in the Advisory Agreements and the partnership agreements and other organizational documents of the Funds, the Adviser will pay out of Advisory Fees (if charged) certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, compensation of its officers, directors, and employees (other than Carried Interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by the Adviser to the Funds. Each Fund, or such Fund’s general partner, will bear all other expenses relating to it and any other out of pocket expenses incurred in connection with the making, monitoring and/or disposing of a portfolio company, (including follow on investments and refinancing), and including, but not limited to, travel, including the use of corporate aircraft, and legal, accounting, investment banking, consulting, research, brokerage, finders’, custody, transfer, registration, advisory board, interest and extraordinary expenses, other similar fees and expenses, expenses generated in the course of evaluating and making proposed investments for which the Adviser had selected such Fund as a proposed investor but that are not consummated (“Broken Deal Expenses”), expenses of the Funds advisory boards and annual meetings of the limited partners, insurance, or other expenses associated with the acquisition, holding and disposition of the Funds’ investments, including extraordinary expenses (such as litigation, if any) and taxes, fees or other governmental charges levied against the Funds. Each Fund also generally bears its organizational and offering expenses. The specific allocation of

expenses between a Fund, a Co-Investment Vehicle (as defined below) and the Adviser is set forth in the Advisory Agreement and/or in the organizational and offering documents of such Fund or Co-Investment Vehicle. Separate Account Clients may bear expenses similar to the expenses borne by the Funds, depending on the terms of their Advisory Agreements.

Additionally, please see Item 6 below regarding “Carried Interest” and incentive fees that Clients may pay.

When a broker is used in connection with an investment by a Client, such Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

Item 6. Performance-Based Fees and Side-By-Side Management

With respect to each Fund, a portion of the profits of the Fund is allocated to the capital account of its general partner as “carried interest” (the “Carried Interest”). Each general partner of a Fund is a related person of the Adviser.

Separate Account Clients also may pay incentive fees, depending on the terms of their Advisory Agreements.

The payment of Carried Interest and/or incentive fees at varying rates may create an incentive for the Adviser to disproportionately allocate time, services, or functions to Clients paying Carried Interest or incentive fees at a higher rate, or to allocate investment opportunities to such Clients. With respect to certain Funds, generally, and except as may be otherwise set forth in the organizational documents of the Funds, this conflict is mitigated by provisions restricting the Adviser and its principals from establishing a new investment fund with objectives substantially similar to those of the applicable Fund until the earlier of (i) the end of the Fund’s investment period or (ii) such time as the applicable Fund is invested or committed beyond a percentage set forth in the organizational documents of such Fund (including amounts reserved for follow-on investments and reasonably anticipated expenses and liabilities or reserves of the applicable Fund). With respect to Separate Account Clients, this conflict is largely mitigated by the Adviser’s allocation policy, which, among other things, prohibits allocation of investment opportunities based on the relative fee structures or profitability of Clients. Additionally, the Adviser periodically reviews the time and services being devoted to Clients to ensure that the necessary resources are being allocated to each Client. Please also see Item 12 below (regarding trade aggregation), as well as Item 11 below, for additional information regarding how conflicts of interest are generally addressed by the Adviser.

Item 7. Types of Clients

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each Fund, if applicable) and not individually to investors in the Funds. The Adviser also provides advisory services to various entities that are Separate Account Clients.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds and Separate Account Clients are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, pension and profit sharing plans, university endowments, corporations, high net worth individuals, banks, thrift institutions, trusts, estates, charitable organizations, limited partnerships, and limited liability companies or other entities.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund. While the Adviser does not impose a minimum amount for establishing a separate account, separate accounts generally are established with a \$75,000,000 minimum, though the Adviser, in its sole discretion, may permit investments that are less than such minimum.

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

Methods of Analysis and Investment Strategies

Audax Senior Debt Funds. The Adviser seeks to generate attractive risk-adjusted returns by capitalizing on inefficiencies within the middle market senior loan asset class. The Adviser invests primarily in senior secured bank loans and, to a lesser extent, in unsecured loans and other instruments that are attractively priced relative to the cash flows and underlying credit quality of the borrower. The majority of financing activity for the senior debt funds is from middle market leveraged buyouts, utilizing the primary or secondary markets along with refinancing or recapitalization activity. To minimize risk, the Adviser initially screens each potential investment, reviewing the borrower’s industry, company information, planned financial structure, deal size, and expected pricing. The Adviser next performs an in-depth review of the transaction, generally including an analysis of the borrower’s industry and company-specific dynamics along with an extensive financial analysis of the proposed investment. Once an investment has been made, the Adviser regularly monitors performance, evaluating the investment on both a stand-alone basis and on a portfolio basis.

Audax Mezzanine Funds. The Adviser invests in a diversified portfolio of privately negotiated debt and debt-like securities issued in connection with leveraged transactions. The investments generally have both debt and equity components, and may include subordinated debt, senior debt, mezzanine debt, second lien debt, convertible debt, preferred equity, common equity, or common equity warrants. With a focus on principal preservation, the Adviser seeks to maximize deal flow from multiple sources, performing thorough credit analysis and due diligence on all investment opportunities. To minimize risk, the Adviser reviews each potential investment with a focus on identifying the deficiencies and risks of each potential investment. Factors considered include, among other things, fundamental business considerations, industry, management, financial performance, leverage, and the private equity sponsor.

Risks

Investing in securities involves a substantial degree of risk. A Client may lose all or a substantial portion of its investments, and Separate Account Clients and Fund investors must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to one or more of the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for Clients, include the following, each of which is described in more detail in the applicable Fund's offering documents:

Business Risks. A Client's investment portfolio may consist primarily of securities issued by privately held companies, and that have significant risks as a result of business, financial, market or legal uncertainties. As a result, operating results in a specified period may be difficult to predict. Such investments involve a high degree of business and financial risk that may result in substantial losses.

Future Performance. While the Adviser intends 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.

Credit and Interest Rate Risks of Debt Securities. Debt portfolios are subject to credit and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral, or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Non-Controlling Investments. The Adviser anticipates that a Client will principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Client's position in such companies. Although the Adviser will monitor the performance of each investment, it primarily will be the responsibility of a portfolio company's management to operate the company on a day-to-day basis. The Adviser will seek appropriate creditor and shareholder rights to help protect the Client's interest and will seek to have the right to participate in or influence the business of some portfolio companies.

Leverage. A Client may utilize leverage, whether directly or indirectly through the use of one or more financing vehicles. The use of leverage will increase the volatility of the Client's investment portfolio. Leverage generally magnifies both the Client's opportunities for gain and its risk of loss from a particular investment. While the use of borrowed funds will increase returns if the Client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if the Client fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Client's investment portfolio than if the Client were not leveraged. The use of leverage will also result in interest expense and other costs to the Client.

In addition, the companies in which a Client will invest may be highly leveraged, thereby increasing the 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. In addition, this leverage could accelerate and magnify declines in the value of a Client's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Client may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of a Client. Furthermore, the companies in which a Client may invest generally may not be rated by a credit rating agency.

Recent Market Experience. Starting in mid-2007, liquidity in the market for leveraged bank loans constricted significantly, resulting in a decline in the market price for many of these assets. There can be no assurance that the market will, in the future, be liquid. If it is not, a Client may be adversely affected to the extent that it seeks to dispose of assets into an illiquid market. The credit markets have experienced an unprecedented degree of dislocation. A Client may seek to capitalize on opportunities created by this dislocation, but such a strategy carries significant risk of substantial loss if the market dislocation continues or is exacerbated by other events, such as the failure of significant financial institutions or hedge funds, dislocations in other investment markets, or extrinsic events.

Widening Risk. The prices of the securities and other financial assets in which a Client invests may decline substantially and such decline may not always be attributable to any of the risks described herein. For example, the mere fact that the Client may be purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even lower levels or have no value at a time of valuation or at the time of sale. It is not possible to predict, or to hedge against, such "spread widening" risk.

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

Bank Loans. A Client may invest in interests in loans originated by banks and other financial institutions, which may include term loans and revolving loans, may pay interest at a fixed or

floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds, and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. However, bank loans are generally illiquid investments, and there can be no assurance that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity or that the market will not experience periods of significant illiquidity in the future. In addition, a Client may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

A Client may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, a Client generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Client will assume the credit risk of both the borrower and the institution selling the participation. The bank loans acquired by a Client are likely to be below investment-grade.

Below Investment Grade Debt. A Client may invest in floating rate instruments, including, without limitation, “higher yielding” (and, therefore, higher risk) debt securities. Such investments may be rated below investment grade by one or more nationally recognized statistical rating organizations and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. In certain periods, there may be little or no liquidity in markets for these securities. The lower rating of these debt instruments reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings, recession, or major financial crisis) or both may impair the ability of the obligor to make payment of principal and interest. Below investment-grade securities have historically experienced greater default rates than has been the case for investment-grade securities. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. The markets for these debt instruments tend to be more volatile, less liquid and less active than those for higher-rated securities, which can adversely affect the price at which these securities can be sold and may make it impractical or impossible to sell such securities at times of market dislocation. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

The instruments in which a Client invests are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of

indebtedness than the level at which they had previously operated. A Client may also invest in equity securities issued by entities with unrated or below investment-grade debt.

Distressed and Highly Volatile Investments. A Client may invest in securities and obligations of issuers which are experiencing significant financial or business difficulties (including companies involved in bankruptcy or other reorganization and liquidation proceedings). Such investments involve substantial risks not normally associated with investments in healthier companies, including adverse business, financial, or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments and the amount of any recovery may be affected by the relative seniority of the Client's investment in the capital structure of the issuer. A Client may lose a substantial portion or all of its investments in a troubled loan or equity interest or may be required to accept cash or securities with a value less than the Client's investments.

Price movements of high yield and distressed debt obligations, bank loans, and other instruments in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence prices directly and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The bank loan and high yield debt markets are currently facing unprecedented levels of volatility, and there can be no assurance as to when or even if this current market volatility will abate.

In certain periods, such as the most recent period of market dislocation, there may be little or no liquidity in the markets for these securities or instruments. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. Troubled companies also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate, or disenfranchise particular claims.

Hedging. A Client may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, currency hedging, caps and floors, futures, and forward contracts, both for investment purposes and for risk management purposes. While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for the Client than if it had not engaged in any such hedging transactions. Moreover, it should be noted that a Client's investment portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). It is not possible to hedge fully or perfectly against any risk, and a hedged transaction might nevertheless produce a net loss. In addition, hedges entail their own costs and may be more difficult to implement than many other transactions, and possibilities for errors may be greater than for other transactions. The Adviser may choose for

a Client not to enter into hedging transactions with respect to some or all of the Client's positions.

Event-Driven Special Situations. A Client's strategies may, from time to time, involve investments in "event-driven" special situations such as recapitalizations, spinoffs, corporate and financial restructurings, litigation, or other catalyst-orientated situations. The Adviser believes these types of investments often have downside risk relative to their current valuations. A Client could, however, be incorrect in its assessment of the downside risk associated with an investment, thus resulting in a significant loss. Such investments are often difficult to analyze. Although the Adviser intends to utilize risk management strategies, such strategies cannot fully insulate a Client from the risks inherent in its planned activities. Moreover, in certain situations, a Client may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.

Lender Liability and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories ("lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain Client investments, a Client could be subject to allegations of lender liability.

In addition, because of the nature of certain investments of a Client and its affiliates, the Client could be subject to claims from creditors of an obligor that the Client's investments issued by such obligor should be equitably subordinated. Under common law principles that in some cases form the basis for lender liability claims, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination," if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower. A significant number of a Client's investments may involve investments in which the Client would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting a Client's investments could arise without the direct involvement of the Client.

Risks Associated with Bankruptcy Cases. There are a number of significant risks inherent in the bankruptcy process. 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 a Client. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases in which a Client, by virtue of such action, or by virtue of its investment in an issuer in which one or more other

affiliated funds has a controlling equity interest is found to exercise “domination and control” of a debtor, a Client may lose its priority if the debtor can demonstrate that its business was adversely affected or other creditors and equity holders were harmed by the Client.

A bankruptcy filing may have an adverse effect on a company, as the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. In addition, the duration of a bankruptcy proceeding is difficult to predict and the administrative costs in connection with a bankruptcy proceeding are frequently high. A creditor’s return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Administrative costs 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 (*e.g.*, claims for taxes) may be quite high. U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Client’s influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in the class.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy, bankruptcy, or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, a Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Adviser or an affiliate, on behalf of a Client, may elect to serve on creditors’ committees or other groups to ensure preservation or enhancement of the Client’s positions as a creditor. A member of any such committee or groups may owe certain obligations generally to all parties similarly situated that the committee represents. If the Adviser or an affiliate concludes that its obligation owed to the other parties as a committee or group member conflict with its duties owed to a Client, it will resign from that committee or group, and the Client may not realize the benefits, if any, of participation on the committee or group. In addition, if a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

Fraudulent Conveyance and Preference Considerations. There is a risk that a Client’s purchase of its investments may be subject to various federal and state laws enacted for the protection of creditors, by virtue of the Client’s role as a creditor with respect to the borrowers under such investments. Furthermore, there is a risk that payments on an investment may be determined to be avoidable, either as fraudulent conveyances or preferences, in which case such payments can be recaptured either by a Client, as the initial recipient of such payments, or from subsequent transferees of such payments, including investors.

If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital, or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to a Client) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of an investment, payments made on a Client's investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by the Client and its affiliates and any contractual arrangement between the borrower, on the one hand, and a Client and its affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its assets at a fair valuation or if the then-present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its then-existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence.

Non-U.S. Investments. A Client 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, capital repatriation regulations (as such regulations may be given effect during the term of a Client), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on a Client (and/or investors, in the case of a Fund) with respect to the Client's income, possible foreign tax return filing requirements for the Client (and/or investors, in the case of a Fund), and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Client may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States.

Non-U.S. Currencies Risk. A Client may have investments that are denominated in currencies other than the U.S. dollar. Such investments are subject to the risk that the value of the particular currency will change in relation to one or more other currencies. As a result, a Client could realize a net loss on an investment even if there were a gain on the underlying investment before currency losses were taken into account. The Adviser, in its sole discretion, may seek to hedge currency risks by investing in currencies, currency futures contracts and options on currency futures contracts, forward currency contracts, swaps, swaptions, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective.

Private Company Holdings. A portion (which in some cases may be significant) of a Client's investments may consist of securities that are subject to restrictions on resale by the Client because they were acquired in a "private placement" transaction or because the Client is deemed to be an affiliate of the issuer of such securities. Generally, a Client will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Client may be deemed to be an underwriter or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, a Client may, from time to time, possess material, non-public information about a borrower or issuer or the Client may be an affiliate of a borrower or an issuer. Such information or affiliation may limit the ability of the Client to buy and sell investments. A Client's investments also may be subject to similar restrictions pursuant to contracts to which it is a party.

Public Company Holdings. A Client's investment portfolio may contain securities issued by publicly held companies. Such investments may subject a Client 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 a Client to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the principal managers, and increased costs associated with each of the aforementioned risks.

Director Liability. In certain circumstances, a Client may receive 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 a Client's representatives, and ultimately the Client, 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.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Market turmoil throughout the world and the rapid collapse of several financial institutions' stock in the United States and other countries as well as the continued pressure on many other financial institutions; stock 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. The availability of credit, including credit used to acquire

businesses, is currently restricted. This may have an adverse effect on the economy generally and on the ability of Client portfolio companies to execute their respective strategies, meet their debt obligations, and incur additional indebtedness. 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 a Client makes investments. The current political environment could also create additional regulatory burdens applicable to a Client and its portfolio companies, which could have an adverse effect on the Client.

Item 9. Disciplinary Information

Item 9 is not applicable to the Adviser.

Item 10. Other Financial Industry Activities and Affiliations

Related General Partners

The Adviser is affiliated with other related investment advisers registered with the SEC under the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These advisers consist of the entities listed in Section 7.A of Schedule D of the Adviser's Form ADV Part 1A. These affiliated investment advisers operate as a single advisory business together with the Adviser and serve as managers or General Partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Affiliated Advisers

The Adviser currently has affiliated advisers, including Audax Management Company, LLC ("AMC") and Highpoint Capital Management, LLC ("Highpoint"). AMC provides investment supervisory services to investment vehicles that are exempt from registration under the 1940 Act and whose securities are not registered under the Securities Act. AMC provides investment advice principally regarding private equity transaction. The Adviser is under common control with Highpoint, which is an investment manager focusing on credit and credit related investments.

The Funds may from time to time participate in transactions alongside clients of AMC. For a description of material conflicts of interest created by the relationship among the Adviser and AMC, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

Code of Ethics

The Adviser has adopted a written Code of Ethics that is applicable to all of its members, principals, officers, and employees, as well as to certain officers and employees of its affiliates and certain independent contractors (collectively, "Adviser Personnel"). The Code of Ethics,

which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon request to: compliance@audaxgroup.com.

Participation or Interest in Client Transactions

Certain employees and affiliates of the Adviser may invest in the Funds, either through the General Partners, as direct investors in the Funds or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the Advisory Fee and/or Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management, and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Client may conflict with the interests of the Adviser, other Clients, Co-Investment Vehicles (as defined below), or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.

The Adviser may, from time to time, establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “Co-Investment Vehicles,” generally are contractually required, as a condition of investment, to exit their investments in each investment opportunity at substantially the same time and on substantially the same terms as the applicable Fund that is invested in that investment opportunity. Co-Investment Vehicles do not pay investment advisory fees or carried interest.

Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Client;
- Many important conflicts of interest involving Funds may be resolved by set procedures or restrictions;
- Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Conflicts

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various Clients and other persons, which may include, but are not limited to, the following:

- The Funds and funds advised by the Adviser's affiliates, which may include Funds organized as parallel investment entities that have been formed to invest side-by-side

with one or more of the Funds (either in all transactions entered into by such Funds or in a limited subset of such investments);

- Any Co-Investment Vehicles that have been formed to invest side-by-side with one or more other Funds in particular transactions entered into by such Funds (the investors in such Co-Investment Vehicles may include individuals and entities that are also investors in one or more Funds (“Adviser Investors”) and/or individuals and entities that are not investors in any Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Funds;
- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction; and
- Separate Account Clients.

In recognition of its fiduciary duties, it is the policy of the Adviser to treat Clients fairly and equitably in the allocation of investment opportunities and transactions more generally. The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

Clients are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements generally set forth in a Fund’s limited partnership agreement or in a Separate Account Client’s Advisory Agreement. To the extent the Investment Allocation Requirements of a Client do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Clients, the Adviser will follow the process set forth below.

The Adviser must first determine which Clients will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Client, based on the Client’s investment objectives, strategies, and restrictions. Prior to making any allocation to a Client of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Client. Possible restrictions include, but are not limited to:

- **Obligation to Offer:** the Adviser may be required to offer an investment opportunity to one or more Clients.
- **Related Investments:** the Adviser may offer an investment opportunity related to an investment previously made by a Client to such Client to the exclusion of, or resulting in a limited offering to, other Clients.
- **Legal and Regulatory Exclusions:** the Adviser may determine that certain Clients (or investors, in the case of Funds) should be excluded from an allocation due to specific

legal, regulatory, and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Clients that will participate in a particular investment have been identified, the Adviser, will exercise its judgment, in deciding how to allocate such investment opportunity among the identified Clients in a fair and equitable manner. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, the following:

- Amount of capital available for investment by each Client as well as each Client's projected future capacity for investment;
- Each Client's investment objectives and investment focus;
- Each Client's liquidity and reserves;
- Each Client's diversification;
- Lender covenants and other limitations;
- Each Client's targeted rate of return;
- Composition of each Client's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Client;
- The availability of other suitable investments for each Client;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual, or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Client.

The Adviser will seek to make all allocations of investment opportunities among the Clients in a fair and equitable manner. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client, (ii) the

profitability of any Client, or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Client.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons, and (iv) certain persons other than investors in the Funds (e.g., Co-Investment Vehicles or Third Parties) may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Clients and other persons, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Funds without harming or otherwise prejudicing such Funds, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media, or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including Clients, Co-Investment Vehicles, Adviser Investors and Third Parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While the Adviser will determine how to allocate investment opportunities using its judgment, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

If the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's organizational documents, the Adviser may consider factors similar to the factors listed above in exercising such discretion.

The appropriate allocation between Clients, Adviser Investors and Third Parties of Broken Deal Expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith discretion. Such expenses may not be allocated to certain Funds.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense, and compensation structures, the Adviser may have an incentive to allocate investment opportunities to the Clients from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, principal executive officers and other personnel of the Adviser invest indirectly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Conflicts Related to Purchases and Sales

Conflicts may arise when a Client makes investments in conjunction with an investment being made by other Clients or a client of the Adviser's affiliate, or in a transaction where another Client or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for Clients and/or clients of the Adviser's affiliate at the same, different, or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. Certain Clients and clients of the Adviser's affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a Client, the interests of such Client may be in conflict with the interest of such other Client or client of the Adviser's affiliate, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients or clients of the Adviser's affiliate may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Clients may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a portfolio company of another Client. Investments by more than one client of

the Adviser or its affiliates in a portfolio company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds or clients of the Adviser's affiliates, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Client may invest in opportunities that other Clients or clients of the Adviser's affiliate have declined, and likewise, a Client may decline to invest in opportunities in which other Clients or clients of the Adviser's affiliate have invested.

Cross-Transactions

In certain cases, the Adviser may cause a Client to purchase investments from another Client, or it may cause a Client to sell investments to another Client. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant Clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Clients. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds. To the extent such matters are not addressed in the Investment Allocation Requirements, and in respect of Separate Account Clients, the Adviser's Chief Compliance Officer, in consultation with the Adviser's General Counsel, will be responsible for confirming that the Adviser (i) considers its respective duties to each Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtains any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Client where the Adviser may be deemed to own more than 25% of the Client, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must

make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of Clients, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Clients regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents, limited partnership agreements or other organizational documents and related documents relating to the Funds generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

Management of Clients

The Adviser manages a number of Client accounts that may have investment objectives similar to each other. The Adviser may in the future establish one or more additional investment funds or be engaged by one or more Separate Account Clients with investment objectives substantially similar to, or different from, those of current Clients. Allocation of available investment opportunities between current Clients and any such investment fund or Separate Account Client could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" above. In addition, it is expected that employees of the Adviser responsible for managing a particular Client will have responsibilities with respect to other Clients whose accounts are managed by the Adviser, including future Clients. Conflicts of interest may arise in allocating time, services, or functions of these officers and employees.

Follow-on Investments

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on investments by one Fund in a portfolio company in which another Fund or a fund advised by an Affiliate Adviser has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund or a fund advised by an Affiliate Adviser has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing Clients are receiving a price that is higher or lower than market value and whether new Clients are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Conflicts Relating to the General Partners and the Adviser

The Adviser generally may, in its discretion, contract with any related person of the Adviser including but not limited to a Client portfolio company to perform services for the Adviser in connection with its provision of services to Clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Client or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the Adviser (including but not limited to a portfolio company of a Client) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and members, officers, principals, and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients. In addition, officers, principals, and employees may buy securities in transactions offered to but rejected by Clients. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of Clients. If officers, principals, and employees of the Adviser have made large capital investments in or alongside Clients they may have conflicting interests with respect to these investments.

Fee Structure

For each Fund, there is a fixed investment period after which capital from investors in the Fund may be drawn down only in limited circumstances. Because the Advisory Fees of the Funds are, at certain times during the life of the Funds, based upon capital invested by the Funds, the fee structure of the Funds may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of the Funds are entitled to Carried Interest under the terms of the limited partnership agreements of the Funds, and certain Separate Account Clients may be entitled to incentive fees. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest or Separate Account Clients' incentive fees may create an incentive for the Adviser to cause such Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Business with Portfolio Companies, Investors and Clients

The Adviser may have an incentive to recommend the products or services of certain investors in the Funds, certain Separate Account Clients, certain Third Parties, and/or their related businesses to Clients or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to Clients or the portfolio companies.

The Adviser has service providers, including for example, investment bankers, outside legal counsel, and pension consultants, who are investors in Funds and/or who provide services to businesses that are competitors of the Adviser. The Adviser may have a conflict of interest with

Clients in recommending the retention or continuation of a service provider to Clients or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Diverse Membership

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax, or other objectives of any investor individually.

Side Letter Agreements

The Adviser may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, liquidity or transfer rights, and investment restrictions.

Advisory Affiliates

As described in Item 10 above, the Adviser's investment adviser affiliates have their own clients. Although these affiliates focus primarily on a different investment strategy than the Adviser, clients of the Adviser and these affiliates may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. Interests of the Adviser's clients may therefore conflict with the interests of the clients of these affiliates. For instance, see "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" and "*Conflicts Related to Purchases and Sales*" above for more information.

Other Potential Conflicts

The Adviser and its Clients may engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one

or more Client portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required.

The Adviser may, in its discretion, have, and may, in its discretion, cause Clients and/or their portfolio companies to have, ongoing business dealings, arrangements, or agreements with persons who are former employees or executives of the Adviser. Clients and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements, or agreements. In such circumstances, there may be a conflict of interest between the Adviser and its Clients (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements, or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Certain employees of the Adviser provide research, administrative, reporting and similar services to the Co-CEOs of the Adviser and certain of their family members and investment research and analysis to the Co-CEOs, in each case with respect to personal investment activities. Such services could potentially present a conflict of interest between the Adviser and the Clients. However, the Adviser believes any potential conflicts of interest are substantially mitigated because (i) the investments are not investments that would be suitable for a Client, (ii) the investments are subject to an internal restricted list, (iii) the investments are reportable by the Co-CEOs and subject to preclearance pursuant to the Code of Ethics, (iv) such employees are not involved in the provision of investment advice to the Clients and (v) such employees do not have investment discretion with respect to such personal investment activities.

The Adviser may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time, the Adviser may serve as advisor to creditor or equity committees. This involvement, for which the Adviser may be compensated, may limit or preclude the flexibility that Clients may otherwise have to make investments.

If a Client purchases in the secondary market at a discount debt securities of a company in which a Client has, for example, a substantial equity interest, (a) a court might require a Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Although the Advisor expects that such activity would occur rarely, if ever, partnership agreements (or analogous organizational documents) of certain Funds permit the General Partner of each such Fund to cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Fund, because the General Partner may have an incentive to cause the Fund to exit an investment at a time that

may result in limited partners receiving a lesser return on such investment than would be the case if the General Partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners).

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's General Partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements, if employed, create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's General Partner to withhold certain information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

Item 12. Brokerage Practices

As Clients invest primarily in private transactions, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, etc.). However, to meet its fiduciary duties to the Clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Brokers and Dealers

For each Client, the Adviser has (subject to the direction and control of a general partner, in the case of a Fund) sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Client involving a broker-dealer, the Adviser will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser's Finance team takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price,

the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience, and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of Clients. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser’s Finance team, in consultation with the Adviser’s Compliance Group, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Client.

A Separate Account Client may request or direct that the Adviser place transactions for its separate account with one or more specified broker-dealers (“Directed Brokerage”). The Adviser will accept Directed Brokerage arrangements only if certain conditions are satisfied, including that the Separate Account Client’s directions are furnished in writing and that the Adviser has informed the Separate Account Client in writing that the use of directed brokerage arrangements may deprive the Separate Account Client of benefits that might otherwise be obtained by aggregating the Separate Account Client’s order with orders for other Clients and may cause the Separate Account Client to pay a higher commission rate or to receive less favorable execution than if the Adviser had discretion to select the broker or to negotiate the commission rate.

Aggregation of Trades

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Clients with orders for other Clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Client will receive the average price for each execution of a transaction.

If an order for more than one Client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser’s procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The investment portfolios of the Clients are generally private, illiquid and long-term in nature, and accordingly the Adviser’s review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser actively monitors the investment portfolios of the

Clients. The portfolios are reviewed regularly by teams of investment professionals (which include Managing Directors) to evaluate whether each investment is delivering the expected results.

Reporting

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund, as well as unaudited quarterly performance reports within 45 days after the end of the first three fiscal quarters of each year. The Adviser and the applicable General Partner, if any, may from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

Separate Account Clients may negotiate reporting requirements specific to their accounts. In the event of individually negotiated terms for Separate Account Clients, the Adviser will provide the reporting mutually agreed to by the parties as evidenced in their Advisory Agreement.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

Item 15. Custody

Item 15 is not applicable to the Adviser.

Item 16. Investment Discretion

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with their Advisory Agreements and/or their organizational documents. Investment restrictions for the Funds, if any, are generally established in their organizational or offering documents.

The Adviser provides investment advice to each Separate Account Client in accordance with the terms and conditions of its Advisory Agreement. The terms of such Advisory Agreement typically are established at the time of formation of the applicable separate account and are the result of negotiations with the applicable Separate Account Client.

Item 17. Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by Clients (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Client by maximizing the economic value of the relevant Client’s holdings, taking into account the relevant Client investment horizon, the contractual obligations under the

relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's General Counsel or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Client or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Client.

Clients may be required, as a condition of their investment, to give up certain voting rights in connection with investments in debt obligations of companies controlled by an affiliate of the Adviser.

Funds generally cannot direct the Adviser's Vote. Separate Account Clients may negotiate with the Adviser regarding voting discretion.

All Voting decisions initially are referred to the Adviser's General Counsel or appropriate investment professional for a voting decision. In most cases, the Adviser's General Counsel or investment professional will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the Voting decision, the investment professional will inform internal counsel of any such Voting decision, and if internal counsel does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and internal counsel are unable to arrive at an agreement as to how to vote, then internal counsel may consult with the Adviser's Chief Operating Officer as to the appropriate vote, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Client's holdings.

Internal counsel has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by internal counsel in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. The Adviser's Chief Compliance Officer or internal counsel will use his or her judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Clients.

Where the Adviser's General Counsel deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's General Counsel shall have the power to retain independent fiduciaries, consultants, or

professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants, or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any Client or prospective Client upon written request to: compliance@audaxgroup.com.

Item 18. Financial Information

Item 18 is not applicable to the Adviser.

Item 19. Requirements for State-Registered Advisers

Item 19 is not applicable to the Adviser.