

Form ADV Part 2A: Firm Brochure

Pathway Capital Management

March 15, 2015





Item 1. Cover Page

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This brochure provides information about the qualifications and business practices of Pathway Capital Management, LP ("Pathway"). If you have any questions about the contents of this brochure, please contact our chief compliance officer (CCO), Milt Best, at 949-622-1000 or miltbest@pathwaycapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Although Pathway is a registered investment adviser, registration does not imply a certain level of skill or training.

Additional information about Pathway is available on the SEC's website at www.adviserinfo.sec.gov.

The information provided herein is as of March 15, 2015.

Item 2. Material Changes

This brochure, dated March 15, 2015, provides the same information as ADV Part 2A dated March 15, 2014. Pathway's business practices have not materially changed from the last annual update of ADV Part 2A. There have been no material substantive changes to the responses provided in Pathway's last annual update of Part 2A of its Form ADV, except as follows:

- Pathway has promoted Jason Jenkins and Matthew Lugar to be partners of Pathway and members of Pathway Capital Management GP, LLC.
- Effective February 13, 2015, Anne Collins retired and withdrew as a partner of Pathway and withdrew as a member of Pathway Capital Management GP, LLC.
- Numerical data has been updated in Items 4 and 7.



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Item 4. Advisory Business

Founded in 1991, Pathway forms and manages private equity investment portfolios for its clients. Pathway's senior investment professionals have accumulated significant experience as a team, assisting more than 90 institutions with the development and management of their private equity investment portfolios. Since inception, Pathway has advised clients with respect to commitments of over \$60 billion in more than 400 private equity investment partnerships (also referred to as private equity funds) in a wide variety of private equity strategies through multiple market cycles worldwide.

Pathway serves as the investment adviser and provides management services to 40 affiliated private equity funds of funds (excluding five related alternative investment vehicles) and certain direct advisory clients. Pathway's advisory clients and the investors in Pathway's funds of funds include corporate and public pension plans, government entities, and financial institutions in North America, Europe, and the Asia-Pacific region.

Pathway has offices in California and Rhode Island and, through its wholly owned UK subsidiary, Pathway Capital Management (UK) Limited, an office in London, and through its wholly owned Hong Kong subsidiary, Pathway Capital Management (HK) Limited, an office in Hong Kong. Pathway also has a presence in Tokyo through its alliance with Tokio Marine Asset Management Co., Ltd. Pathway is registered as an investment adviser with the SEC in the United States and as a portfolio manager and exempt market dealer in Ontario, Saskatchewan, and Quebec, Canada. Pathway's wholly owned UK subsidiary is regulated in the UK by the Financial Conduct Authority, and Pathway's wholly owned Hong Kong subsidiary is regulated in Hong Kong by the Securities and Futures Commission. Pathway is an independent company, wholly owned by 19 senior professionals ("Partners"). Douglas K. Le Bon and James H. Reinhardt are its principal owners.

Pathway provides private equity investment management and advisory services to clients on either a discretionary or non-discretionary basis. Discretionary services are provided either through an advisory role for separate account clients or through a management role via a fund of funds created and advised by Pathway or its wholly owned subsidiary. Investments in private equity are made primarily in pooled investment vehicles, such as limited partnerships. Private equity investments include but are not limited to the following strategies: venture capital, buyouts, subordinated debt, equity expansion, and recovery, as well as other private equity-related strategies. Pathway's sole line of business is providing private equity investment management and advisory services.

Pathway's private equity investment management and advisory services consist primarily of (1) assisting clients with the development of investment goals, objectives, and policies; (2) screening investments and conducting due diligence, including qualitative and quantitative analysis; (3) structuring and negotiating legal documents; and (4) ongoing monitoring and reporting on clients' investments.

Pathway makes decisions on behalf of discretionary clients and makes recommendations to non-discretionary clients, subject to client investment guidelines (where appropriate), that are tailored to the needs of each client and that are mutually agreed upon by Pathway and the client. Pathway's investment discretion is limited by these agreed-upon guidelines, which are described in detail in its contracts with each client. The investment guidelines may address the following:

- Size of Investments
- Total Annual Commitments
- Minimum or Maximum Number of Investments
- Geographic Exposure
- Diversification Requirements
- Strategy or Specific Investment Restrictions
- Restrictions on Secondary and Co-investment Purchases

Other than the agreed-upon investment guidelines, Pathway's discretionary clients may not impose restrictions on investing in certain securities or types of securities.

As of December 31, 2014, Pathway's assets under management (including the uncalled capital commitments of its clients) totaled \$30.4 billion. Of these assets under management, \$25.8 billion are in discretionary accounts and the remaining \$4.6 billion are in non-discretionary accounts.

Item 5. Fees and Compensation

Pathway is compensated for its advisory services through management or advisory fees charged to its clients. Pathway's fees are negotiable, taking into consideration the commitment amount and the investment mandate. Pathway does not receive any significant revenue from other sources or arrangements but does receive reimbursement from its private

fund clients for certain organizational, operational, and other expenses. Pathway's sole line of business is providing private equity investment management and advisory services.

Pathway bills its clients for the management fee. Pathway bills its clients for fees either quarterly in arrears or quarterly in advance, depending on the client's contractual arrangement. The client agreements set forth the circumstances under which such agreements may be terminated and the procedures for doing so. In the event of a termination, fees are generally prorated on a daily basis, and any fees paid but unearned at the time of termination are returned to the client.

Clients are responsible for the payment of any third-party brokerage commissions related to the liquidation of stock distributions from the investment partnerships or co-investments. The brokerage commissions charged are usual and customary given the nature of the services provided by the broker, and these charges are deducted from the sales proceeds. See Item 12 (Brokerage Practices) for further information on Pathway's use of brokers. Investors in Pathway's funds of funds will bear their pro rata share of the operating expenses of the fund of funds, in addition to any brokerage commissions. These expenses, which are set forth in detail in the fund-of-funds agreement, typically include (1) all costs and expenses incurred in or attributable to acquiring, holding, and disposing of investments; (2) all legal, accounting, consulting, regulatory, and other fees (including the fees associated with the preparation of audited financial reports and tax returns); (3) legal fees and expenses, judgments, fines, damages, or costs paid or incurred in prosecuting or defending administrative or legal proceedings brought by or against any person indemnified by the fund; (4) amounts paid or advanced by the fund of funds pursuant to its indemnification obligations; (5) any taxes applicable to or payable by the fund of funds on account of its activities; (6) premiums for insurance protecting the fund of funds and indemnified persons (to the extent such insurance is not otherwise covered, or reasonably available, under any insurance policy maintained by Pathway with respect to its operations generally); (7) the costs of dissolving and winding up the fund of funds; and (8) any damages resulting from a default by an investor in the fund of funds.

Pathway does not accept compensation for the sale of securities or other investment products. Item 14 (Client Referrals and Other Compensation) addresses Pathway's business practices regarding compensation of third parties for client referrals.

Certain secondary interests purchased by Pathway's clients involve a broker who has assisted either the seller or buyer in consummating the transaction. Fees are paid to the broker by the seller or by Pathway's clients, depending on who has the contractual relationship with the broker and the purchase and sale agreement of the transaction. These broker fees are reasonable and customary.

Pathway does not participate in wrap fee programs.

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

Other than as described in Item 11 with respect to certain holdings acquired by certain supervised persons through their employment with another investment adviser, neither Pathway nor any of its supervised persons receives (or manages any account that receives) any performance-based fees.

Item 7. Types of Clients

Pathway has a diverse client base consisting primarily of private funds (i.e., multi-investor funds of funds and single-investor funds of funds), public pension funds, corporate pension funds, and government entities from North America, Europe, Asia, and Australia. For multi-investor funds of funds, Pathway generally requires a minimum commitment from investors of \$10 million. For single-investor funds of funds, Pathway generally requires the fund to have a minimum of \$200 million in commitments. In either case, Pathway may also accept commitments below these amounts.

Breakdown of Current Clients

	Number of Clients	Assets Under Management ^a (\$MM)
Pension Fund	13	11,878
Corporate	1	416
Municipal Government	3	5,157
Fund-of-Funds ^b	40 ^c	12,904
Total	57	30,355

^aBased on assets under management as of December 31, 2014. Total assets under management comprise estimated market value plus undrawn capital. The estimated market value is based on September 30, 2014, actual valuations, adjusted for cash flows through December 31, 2014.

^bInvestors in Pathway's funds of funds include corporate and public pension plans, government entities, trusts, charities, and financial institutions in North America, Europe, and the Asia-Pacific region.

^cExcludes five alternative investment vehicles of Pathway's funds of funds.

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

Investment Philosophy

Pathway believes that the most-successful private equity programs are created from a diversified portfolio of high-quality funds managed by leading private equity firms. Pathway has the same objective for each portfolio: to generate strong, risk-adjusted returns that exceed the public equity markets over the long term. Pathway's investment philosophy is guided by three key tenets:

1. **Manager Selection**—The ability to distinguish the best managers is of primary importance when building a high-quality private equity portfolio. Industry data shows that the performance spread between upper and lower quartile private equity managers is much larger than the spread between managers in other asset classes. Pathway believes that the ability to select and gain meaningful access to the best private equity managers is paramount to building a high-quality private equity portfolio that can exceed public equity indices. As a result, Pathway has dedicated substantial resources to sourcing, evaluating, accessing, and selecting what it believes to be the most knowledgeable, most capable, and most successful private equity fund managers in the world.
2. **Opportunistic Investment Approach**—The environment in which private equity investments are made is constantly evolving. Pathway endeavors to take advantage of prevailing market conditions and the availability of high-quality investment partnerships by maintaining an investment approach that focuses on quality, irrespective of the market environment.
3. **Portfolio Construction**—Pathway seeks to construct efficient portfolios—portfolios that comprise the appropriate number of funds to allow for ample diversification—while preventing the creation of an index-like fund of private equity funds that risks generating median private equity performance.

Investment Selection

Pathway believes that its success in the marketplace is largely due to its adherence to the firm's time-tested investment criteria, which has enabled the firm to identify what it believes to be the highest-quality opportunities in the marketplace. These criteria were

developed by Pathway's founders more than two decades ago and are based on the principle that manager selection is paramount to building a strong-performing private equity portfolio. Importantly, Pathway's highly selective investment criteria are the same criteria used by the firm today for primary partnership investments:

- Stable and Experienced Management Team
- Sound Business Model
- Proven Access to High-Quality Investment Opportunities
- Extraordinary Resources beyond Those Available to an Average Private Equity Firm with a Similar Strategy
- Strong Performance
- A Focus on Markets That Support Private Equity Investing, including Markets Robust Enough to Support Capital Formation

A prospective investment partnership opportunity must meet Pathway's investment standards or Pathway will not move forward through the investment due diligence and selection process.

Diversified Portfolios

Pathway has extensive experience with investing in a wide array of private equity investment types and seeks to create diversified portfolios of investment partnerships for its clients with high-quality managers. Pathway seeks to diversify its clients' portfolios in accordance with each client's investment guidelines, and generally by the following characteristics:

- Strategy—Pathway generally seeks to invest in a broad spectrum of private equity strategies and substrategies.
- Life Cycle—Pathway generally seeks to invest consistently over time to reduce exposure to any one particular generation of investment partnerships.
- Investment Partnership Manager—Pathway generally seeks to invest in multiple managers to mitigate the impact on the portfolio by the performance of any one manager.
- Geographic Region—Pathway generally seeks to invest in investment partnerships that focus on investments in North America, as well as on the developed markets of Europe, Asia, and other regions.
- Industry—Pathway generally seeks to invest in a variety of industries to minimize any effects associated with poor-performing industries.

Investment Process for Primary Partnership Investments

Pathway's extensive and rigorous investment process—which aims at selecting the highest-quality funds in order to generate strong, risk-adjusted returns—is applied to all primary partnership investment opportunities (i.e., potential investments made directly in private equity funds) under review. Pathway's primary investment selection process comprises five stages:

1. Preliminary Review—A Pathway deal team reviews the investment opportunity to make a preliminary assessment on whether the opportunity meets Pathway's investment selection criteria, described above. To make this initial assessment, the deal team reviews a variety of information, including offering documents and other marketing materials provided by the fund manager, industry and other publicly available data, and Pathway's proprietary research and data gathered since its inception in 1991.
2. Some Interest—The deal team typically meets with the fund manager, either at Pathway's offices or at the fund manager's offices. Other Pathway investment professionals may also be invited to participate. In certain cases, when a timely face-to-face meeting cannot be scheduled, a videoconference call is typically conducted.
3. Further Interest—The deal team is expanded to include other investment professionals to assist with conducting further analysis, as well as additional meetings and conference calls with the fund manager as needed. Due diligence at this stage is directed at developing a better understanding of the manager's investment track record, determining its prospects for future investment success, and ascertaining its ethical standing among its peers. The deal team also formally introduces the opportunity to Pathway's Investment Committee and other members of the investment team to deliberate and to determine next steps.
4. Extensive Due Diligence—The deal team conducts in-depth financial analysis on the investment opportunity and verifies and validates track record and other information presented by the fund manager. The team also holds additional meetings and/or conference calls, and contacts pertinent references, as appropriate. The team then provides a summary of its findings to Pathway's Investment Committee and other members of the investment team for further deliberation.

5. Investment Decision—A final recommendation of action is presented to and discussed with Pathway's Investment Committee, which makes the final investment decision. Once an investment has been approved, the deal team and Pathway's legal staff proceed with the negotiation, structuring, and completion of the fund's governing documents.

Structuring and Negotiating for Primary Partnership Investments

Pathway takes a team approach when reviewing the business and legal aspects of an investment partnership's governing documents and in subsequent negotiation. Investment partnerships are typically structured as foreign or domestic limited partnerships, governed by limited partnership and subscription agreements. Pathway's negotiating teams are led by a Pathway director and include Pathway's legal staff, which consists of a general counsel, two attorneys, an administrative manager, and four legal assistants. Pathway's external lawyers provide additional expertise in the areas of tax, ERISA, foreign laws, partnership and limited liability company law, structures, securities, and other regulatory issues.

The team's overall goal is to reduce the downside risk of investments. Accordingly, Pathway will often provide to the manager of the investment partnership a substantial number of economic and other deal points. Pathway will submit comments on behalf of all of its investing entities, which allows these entities to share the investment costs associated with each investment partnership and thereby benefit from Pathway's sizable economies of scale.

Secondary Partnership Investments

Similar to its strategy and investment process for primary partnership investments, Pathway applies an extensive and rigorous investment process in order to identify and invest in secondary transactions (i.e., the purchase of partnership interests from an existing investor in a private equity fund) that Pathway believes will generate strong, risk-adjusted returns.

Pathway's secondary deal teams include at least two senior investment principals. Importantly, secondary deal teams include the senior-level investment professionals who are most familiar with the secondary opportunity, either through serving on the fund's advisory board or through being on the deal team that conducted the primary fund due diligence when Pathway invested with, or conducted extensive due diligence on, the

fund manager. Other Pathway investment professionals are also brought in to assist with the due diligence, supplementing the secondary deal team.

Pathway's secondary deal team assesses the current status of a secondary opportunity using a wide variety of information, including Pathway's significant industry knowledge, which allows the secondary team to efficiently perform a preliminary assessment of the attractiveness of a secondary opportunity.

After the initial assessment is completed and Pathway determines that a potential secondary purchase has the opportunity to generate an attractive long-term return, Pathway's secondary deal team proceeds with an extensive due diligence process that has been developed and refined over the past 14 years, which to the extent possible, given the limitations that may arise in the investment process for secondary transactions, is based on the process for primary partnership investments.

Pathway's secondary team incorporates this diligence information into a proprietary pricing model that incorporates a bottom-up analysis of the underlying investments in the portfolio—including current operating metrics and valuations, as well as the ultimate outcome expectations, provided by the general partner—to help determine the price that Pathway believes has the potential to generate an attractive risk-adjusted return.

A final recommendation of action is presented to and discussed with certain members of Pathway's Investment Committee; the final investment decision is made by two senior managing directors. Once an investment has been approved and Pathway's bid has been accepted, the secondary deal team and Pathway's legal staff will proceed with the negotiation, structuring, and completion of the sales agreements and transfer documents.

Pathway's robust monitoring processes for its private equity investments provide for a seamless incorporation of secondary purchases into Pathway's reporting and monitoring systems.

Co-investments

Private equity co-investments are typically minority investments made alongside a private equity partnership either directly in a portfolio company or through a special-purpose vehicle. Pathway investors will be eligible to make co-investments only alongside

partnerships they have already committed to as a limited partner in a primary or secondary partnership investment.

Pathway will review the available diligence materials and investment documentation provided by the fund manager with respect to the co-investment opportunity and will screen such co-investment opportunities for compatibility with the client's investment guidelines. Given Pathway's strategy for its co-investment program (i.e., to select top-tier fund managers in connection with primary investments and to rely on the investment decisions of those fund managers with respect to co-investment opportunities), Pathway will rely on its previous review and analysis of the fund manager in connection with the client's investment in the relevant fund.

The final investment decision is made by the Co-investment Committee, which comprises at least two senior managing directors of Pathway and two managing directors or directors from the co-investment team. A summary of the co-investment team's analysis will be provided to the Committee in the form of a co-investment memorandum. Investment approval requires the affirmative vote of the majority of the Co-investment Committee members.

Even after developing a well-diversified portfolio of high-quality managers, investing in private equity funds has investment risks that cannot be eliminated, including the risk of partial or total loss of capital. Investing in securities involves risk of loss that clients should be prepared to bear. There can be no assurance that Pathway's investment strategies will be achieved or that its clients will receive a return of their capital.

Pathway recommends private equity investments to its non-discretionary clients and invests in private equity funds (and co-investments) on behalf of its discretionary clients. The following is a concise summary of risk factors that generally apply to private equity investments.

General Risks of Pathway's Private Equity Fund Investment Strategy

Competition

Identifying and completing attractive investments in investment partnerships is highly competitive and involves a high degree of uncertainty. Other firms currently in existence or organized in the future may adopt, partially or totally, Pathway's strategy and compete with Pathway. These firms may have greater resources than Pathway and may seek to make larger investments in private equity funds, which could adversely affect the amount

that Pathway's clients would be permitted to invest in certain investment partnerships. Although Pathway has been successful in locating a sufficient number of attractive investments in the past, in the future it may be unable to find a sufficient number of attractive investments to meet its clients' investment objectives. There can be no assurance that Pathway will be successful in its efforts to identify and complete attractive investment opportunities in the future.

Illiquidity of Investments

A limited market exists for the sale of interests in investment partnerships, and the transferability of such interests is generally restricted. Pathway may not be able to liquidate a particular interest in an investment partnership at the time and upon the terms it or its clients desire. Further, the timing of distributions from an investment partnership, if any, will likely be at the discretion of the fund's manager and may not occur at a time that is desirable. Any of these activities may result in losses to Pathway's clients.

Reliance on Management of Investment Partnerships

Pathway's clients will invest in investment partnerships that are managed by investment partnership managers who are unrelated to Pathway, and therefore, in investments selected by such unrelated investment partnership managers. Pathway will not have an active role in the day-to-day management of the investment partnerships. Moreover, Pathway will not have an opportunity to evaluate the specific investments made by the investment partnerships. As a result, the returns of a client's private equity portfolio will depend in large part on the performance of these unrelated investment partnership managers and could be substantially adversely affected by the unfavorable performance of a small number of these managers.

Risk of Early Termination of Investment Partnerships

The governing documents of the investment partnerships are expected to include provisions that would enable the general partner, the manager, or a majority (or supermajority) in interest of their limited partners or members, under certain circumstances, to terminate such investment partnerships prior to the end of their stated terms. Early termination of an investment partnership may result in (1) the fund distributing a portfolio of immature and illiquid securities or (2) Pathway's inability to invest all of its clients' committed capital as anticipated, either of which could have a material adverse effect on the performance of a private equity portfolio.

Indemnification Obligations

The governing documents of each investment partnership are expected to include provisions that would require such investment partnership to indemnify its managers and related parties for certain actions arising out of their activities on behalf of such investment partnership. Such indemnification obligations could decrease the returns to investors in such investment partnerships and, consequently, to Pathway's clients who are invested in such funds. Furthermore, to the extent that the assets of any investment partnership are insufficient to satisfy such indemnification obligations, Pathway's clients that are invested in such investment partnership may be liable for those obligations to the extent of their undrawn capital commitments to such investment partnership and may be required to return any previous distributions made by such investment partnership.

Consequences of Failing to Fund Investment Partnership Commitments or Defaulting

Investment partnerships will require capital calls from their investors over an extended period of time. A default by a substantial number of investors, or by one or more investors that have made substantial commitments to the investment partnership, would limit opportunities for investment diversification and likely would reduce returns to Pathway's clients. In the event that Pathway's client defaults, the client may be subject to various penalties, including forfeiture of its interest in the investment partnership.

Nature of Equity or Equity-Related Investments

A substantial portion of Pathway's clients' investments will be in equity or equity-related investments that by their nature involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that Pathway or any investment partnership will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of equity investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of an investment partnership's activities. As a result, performance of investment partnerships over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Portfolio Valuation

Investments in investment partnerships will generally be valued in accordance with the valuations reported by managers of the investment partnerships, although Pathway may use valuations other than those reported by such managers when it believes it appropriate to do so. Different managers use different valuation methods and determine such valuations at different times, and there can be no assurance that any of such valuations are accurate. In addition, valuations may be based on interim unaudited financial statements. Accordingly, these figures may be subject to an upward or downward adjustment following the auditing of such financial records. Further, actual realized returns on unrealized (and partially realized) investments will depend on various factors, including future operating results, market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs, and the timing and manner of disposition, all of which may differ from the assumptions and circumstances on which the current unrealized valuations were based. Accordingly, the actual realized returns on unrealized (and partially realized) investments may differ materially from the returns indicated by the valuations.

Risks Related to Investing in Particular Investment Fund Strategies

Nature of Special Situation Investments

Pathway's clients may invest in investment partnerships that are devoted to special situation investments. These investments are generally unsecured and may be subordinate to other obligations of the obligor. These investments often reflect 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) or both may impair the ability of the obligor to make payment of principal and interest. Some issuers of an investment partnership's investments may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall adverse conditions in the below-investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. Mezzanine investments often are 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 previously had operated.

Nature of Venture Capital Investments

Pathway's clients may invest in investment partnerships that are devoted to venture capital investments, which is a segment of private equity investing that has a high degree of investment risk. Typically, the companies in which such investment partnerships invest have unproven technology, untested management, and unknown future capital requirements, and lack operating history. These companies often face intense competition, typically from established companies with much greater financial, manufacturing, and technical resources; more marketing and service capabilities; and a greater number of qualified personnel. To the extent that there is a public market for the securities of these companies, these securities may be subject to abrupt and erratic market price movements. Investment partnerships that are focused on venture capital make investments that are highly speculative, which may result in the loss of capital contributions from Pathway's clients. Accordingly, investors may lose all of the monies invested in such investment partnerships.

Nature of Leveraged Buyout Investments

Pathway's clients may invest in investment partnerships that are devoted to leveraged acquisitions, growth capital investments, and restructurings. While the companies in which such investment partnerships invest offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Such investments may involve high degrees of leverage, which could magnify losses. Losses can occur as a result of recessions, operating problems, or other general business or economic risks. Also, increased interest rates generally increase such portfolio companies' interest expenses. In the event that any such portfolio company cannot generate adequate cash flow to meet debt service, Pathway's clients may suffer a partial or total loss of capital invested (directly or indirectly) in the company.

Nature of Distressed Debt Investments

Pathway's clients may invest in investment partnerships that are focused on investing in the distressed debt market. Investment partnerships with this focus may invest in debt securities and other obligations of entities that are undergoing, are considered likely to undergo, or have undergone (1) reorganization under U.S. federal bankruptcy law or similar laws in other countries, or (2) other extraordinary transactions, such as debt restructurings, reorganizations, and liquidations outside of bankruptcy. Such portfolio companies may have capital structures with significant leverage, which makes such investments inherently

more sensitive to declines in revenues and to increases in expenses and interest rates. Additionally, the securities acquired by such investment partnerships may be most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss. Furthermore, there are a number of significant risks when investment partnerships invest in companies that are involved in bankruptcy proceedings. Pathway's clients' investments in investment partnerships that are focused on investments of this type will be highly speculative and may result in the loss of capital contributions with respect to such investments. Accordingly, investors may lose all of the monies invested in such investment partnerships.

Nature of Secondary Investments

Pathway, on behalf of its clients, may have the opportunity to acquire a portfolio of investment partnerships in the secondary market from a seller on an "all or nothing" basis. Certain of the investment partnership interests in the portfolio may be less attractive than others, and certain of the sponsors of such investment partnerships may be more familiar to Pathway than others or may be more experienced or more highly regarded than others. In such cases, it may not be possible for Pathway to carve out from such purchases those investments that Pathway considers (for commercial, tax, legal, or other reasons) less attractive.

Costs and Liabilities Associated with Secondary Investment Transactions

In a secondary transaction, the purchaser may acquire contingent liabilities of the seller and may be required to pay expenses related to the transfer, including legal, broker, and accounting expenses arising from the transaction. These liabilities and expenses are not typically incurred in a primary transaction. For instance, where the seller has received distributions from the investment fund and is required to return such distributions to the investment fund after the transfer to the purchaser, the purchaser (as the purchaser of the interest) may be obligated to return monies equivalent to such distributions to the investment fund. While the purchaser may, in turn, have a claim against the seller for any such monies the purchaser paid to the investment fund, there can be no assurances that the purchaser would have the ability to make such a claim, and if such a claim is made there can be no assurances that the purchaser would prevail on such claim or that the seller could make such payment. The purchaser may also be required to make representations about itself typical of those made in connection with the purchase of a primary investment. The purchaser may also be required to indemnify the investment fund and/or the

seller of the secondary interest to the extent that any such representations turn out to be incorrect. In certain circumstances, distributions made by the investment fund to the purchaser may subsequently be recalled or withheld to meet such liabilities of the purchaser.

Secondary Sales by Other Pathway Clients and Investors

As a result of its extensive operations, Pathway may encounter a secondary interest that is being sold by one of its existing clients. Pathway's other clients may be prohibited by applicable laws and Pathway's internal policies from initiating a transaction to purchase such a secondary interest, and as a result, Pathway's clients may not be able to initiate a secondary transaction that they otherwise might have initiated, which could impact their financial performance.

Co-investment Risk Factors

Co-investments involve investments in third-party-sponsored co-investment vehicles and direct co-investments (which may also be held indirectly through holding vehicles) in securities of companies. The co-investment vehicles and direct co-investments will be unrelated to the business currently conducted by Pathway and its affiliates and will be managed by unrelated fund sponsors and company management teams. Neither Pathway nor its clients will control or have an active role in the day-to-day management of the co-investment vehicles or portfolio companies or an ability to negotiate the terms of such investments. Accordingly, the returns of a specific co-investment will primarily depend on the performance of the portfolio company and could be substantially adversely affected by the unfavorable performance of the company's management. Moreover, the Fund will not have control over these companies and, therefore, may have a limited ability to protect its position therein.

Co-investments in privately held companies present certain challenges, including the lack of available information about these companies and uncertainty about the market value of those investments. Pathway may not have the same access to information or the ability to negotiate terms of a co-investment that it would have if Pathway were leading the negotiation of the terms of such co-investment. Therefore, Pathway may not have the opportunity to evaluate all aspects of the specific co-investments and may not have the ability to conduct a qualitative review or analysis of the merits of a particular co-investment.

Because the level of diligence will vary, there is no assurance that any such diligence will be thorough or conclusive or that all material risks in potential co-investments will be identified. Pathway's review of a co-investment may be limited to (i) its previous review and analysis of the fund manager in connection with its client's investment in the fund in which it is co-investing alongside, and (ii) review of compliance with the client's investment guidelines. Moreover, the information Pathway receives about a co-investment will be prepared by third parties and will not be independently reviewed by Pathway. If such information is inaccurate, Pathway may approve a co-investment that it would not have otherwise approved, which could negatively impact financial returns of a client's portfolio.

Pathway expects to make co-investments only alongside fund sponsors in which its clients have previously invested, thereby reducing the number of co-investment opportunities available to its clients, which may cause the co-investment portfolio to be less diversified than if Pathway were seeking co-investments alongside other third parties. Various other factors, including prevailing market conditions, available investment opportunities, and the timing and size of co-investments, may prevent Pathway from diversifying its clients' co-investment portfolios. For these and other reasons, the co-investment portfolios of Pathway's clients could be concentrated in relatively few portfolio companies, regions, or industries, and thus the benefit of diversification may not be realized. One risk to having a limited number of co-investments is that the aggregate returns realized by the client may be substantially adversely affected by the unfavorable performance of a small number of co-investments.

The parties that lead a particular co-investment may have financial constraints, may have economic or business interests or goals that are inconsistent with or in conflict with those of Pathway's clients, or may be in a position to take or block an action in a manner contrary to a client's investment objectives, all of which could have a negative impact on the value of the client's investment. Such investments may involve risks not present in investments where a third party is not involved. Furthermore, a third-party co-investor may control the form and timing of the sale of a co-investment. Clients may experience disputes with other co-investors over the obligations, investment rights, voting, and operations that could have a material adverse effect on the financial conditions or results of operations of these businesses.

If co-investments are structured as joint ventures, partnerships, or consortium arrangements, the sale or transfer of interests in some of the operations may be subject to rights of first refusal or first offer, tag-along rights, or drag-along rights, and some agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when Pathway's clients may not want them to be exercised and such rights may inhibit the ability to sell the interest in an entity within the desired time frame, at the desired price, or on any other desired basis. Clients will likely own minority positions in certain portfolio companies. Consequently, prior to and after the acquisition of these investments, Pathway and its clients may have limited access to the management and documentary records of these companies. The inability of Pathway or its clients to exercise significant influence over the operations, strategies, and policies of the portfolio companies in which the clients will have a minority interest means that decisions could be made by such portfolio companies that could adversely affect the investment results of Pathway's clients.

The performance of portfolio companies may be impacted by a number of business risks, including legal and tax changes, excessive or very limited regulatory oversight, currency fluctuations, risks associated with the use of leverage, financial or industry market turmoil, litigation risks, indemnification requirements, lack of market liquidity, devaluations and enhanced volatility in global equity, inflation, fuel and energy costs, lack of available credit, the state of interest and tax rates, demand for services, anti-money laundering risks, operating and technical risks, *force majeure* risks, environmental liabilities, and work force and labor disruptions. Any one of these factors could have a material adverse effect on the portfolio company's condition and results of operations. If any such slowdown or adverse development occurs, a client's investment could be adversely impacted and the investment could decline in value.

Non-U.S. Investments

Pathway's clients may invest directly in investment partnerships, or indirectly through investment partnerships, in entities whose principal executive offices or corporate headquarters are outside the United States. Investing in non-U.S. securities may involve greater risks than investing in U.S. securities. In particular, the value of investments in non-U.S. securities may be significantly affected by changes in currency exchange rates, which may be volatile, and non-U.S. investments may have additional regulatory and tax risks. While Pathway will take these factors into consideration when making investment decisions for its clients and intends to minimize exposure to such greater risks, there can

be no assurance that Pathway will be able to evaluate the risks accurately or that adverse developments with respect to such risks will not adversely affect the value or realization of the non-U.S. investments.

General Risks of Investment in a Pathway-Managed Fund of Funds

Pathway's clients may invest directly in private funds of funds managed by Pathway or its affiliate. Investments in these fund-of-funds vehicles are subject to the risks inherent in investing in private equity funds, generally, including risks related to (1) the quality of the management of the respective private equity funds in which the fund of funds invests, (2) the ability of the fund of funds' management and the managers of the underlying private equity funds to select successful investment opportunities, (3) general economic conditions, and (4) the ability of the fund of funds and the underlying private equity funds to liquidate their investments. The fund of funds may not be successful in meeting its performance objectives. In addition, both the fund of funds and the underlying private equity fund will impose certain fees, management charges, and other expenses. This may result in greater expense than if Pathway's clients were able to invest directly in those underlying private equity funds or in the portfolio companies of those underlying private equity funds.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Pathway's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Pathway does not receive any compensation from the investment partnerships that it recommends to its clients or that it invests in on behalf of its clients.

Relationship with Funds of Funds

Pathway (or its wholly owned affiliate) is the manager of, and provides advisory services for, 40 funds of funds. The names of Pathway's funds of funds and their sponsors are available in Part 1 of Pathway's Form ADV. The purpose of each fund of funds is to invest in private equity partnerships and/or co-investments. Neither Pathway nor its wholly owned affiliates charge a carried interest or other fee for its services as manager of the funds of

funds (other than the management fee, which is paid to Pathway for its advisory and management services to the fund of funds). As a co-investor in each fund of funds, Pathway and its affiliates have committed to contribute up to one percent (1%) of the capital to each fund of funds and expect to receive a percentage of the income, loss, and distributions of the fund of funds commensurate with their commitments. Since there may be a potential conflict of interest because Pathway and its affiliates are co-investors in these funds of funds and, therefore, may have an incentive to offer investment opportunities to the fund-of-funds clients rather than to Pathway's direct advisory clients, Pathway adheres to an investment allocation policy that provides a formula for determining which clients participate in certain investments.

Pathway allocates investment opportunities across its clients and investors in such manner as it in good faith deems fair and appropriate, using a formulaic allocation policy that takes into account factors such as (i) the amount available for investment by Pathway's clients and investors in such investment partnership; (ii) the relative amount of capital commitments and the amounts that such other clients and investors have committed for investment in investment partnerships; (iii) the size, type, investment objectives, investment strategies, investment policies, and anticipated prospects of such investment partnership (considered both generally and in relation to other investment partnerships in which Pathway's clients and investors have invested or might subsequently invest); (iv) the economic and other terms of such investment partnership; and (v) the investment objectives of its clients and investors.

Pathway also has a separate allocation policy for co-investments that includes the factors set forth above, as well as the relative amount of capital commitments that investors have committed to the fund, which Pathway's clients are co-investing alongside, and other relevant factors.

Relationship with Pathway UK

Pathway's wholly owned subsidiary, Pathway Capital Management (UK) Limited, is authorized and regulated in the United Kingdom by the UK Financial Conduct Authority and provides advisory services solely to its parent in the form of client introductions and assistance with due diligence of potential investments.

Relationship with Pathway Hong Kong

Pathway's wholly owned subsidiary, Pathway Capital Management (HK) Limited, is licensed and regulated in Hong Kong by the Hong Kong Securities and Futures Commission and provides advisory services to, and on behalf of, its parent in the form of assistance with the due diligence of potential investments and client introductions.

Pathway's strategic alliance agreement with Tokio Marine Asset Management Co., Ltd., a Japan-based investment adviser, is discussed in Item 14.

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

Pathway's Code of Ethics (the "Code") applies to all Partners and employees of Pathway. The Code sets forth Pathway's and its Partners' and employees' duty of loyalty to its clients; provides procedures for maintaining the privacy of certain client nonpublic information; documents Pathway's intent to comply with all applicable securities laws; enumerates prohibited acts in which neither Pathway nor its employees can participate; sets forth Pathway's and its Partners' and employees' duty to disclose potential and actual conflicts of interest when dealing with its clients; provides that Pathway will not attempt to limit its liability for willful misconduct or gross negligence through the use of disclaimers; provides that Pathway will invest only in those investments that it has a reasonable basis for believing are suitable for a client; sets forth the limitations, prohibitions, and reporting requirements with respect to the trading of personal securities by employees; and provides a procedure for reporting violations of the Code to Pathway's CCO. It is prohibited and a breach of the Code to retaliate against any Partner or employee who reports a violation, and anyone participating in retaliation will be subject to discipline, up to and including termination of employment. The Code provides for retention of certain records relating to the Code. Each Partner and employee of Pathway is provided online access to the Code and any amendments. A copy of Pathway's Code will be provided to any client or prospective client upon request.

As discussed in Item 10 (Other Financial Industry Activities and Affiliations), Pathway, or one of its wholly owned affiliates, is the general partner or manager of 40 funds of funds and also co-invests in these vehicles.

In addition, a Partner of Pathway owns interests in certain of the same investment partnerships that Pathway's clients have investment interests in. This Partner acquired these holdings through his/her prior employment with another investment adviser and continues to receive fees for providing services with respect to these holdings. In this cases, the Partner has disclosed the conflict to Pathway's management. Pathway has determined to allow this Partner to continue to provide services with respect to these holdings, subject to the following guidelines:

1. This Partner will not be allowed final decision-making authority with respect to Pathway's actions regarding these investment partnerships or the investment manager with whom he/she shares fees.
2. Although this Partner will be allowed to make recommendations with respect to Pathway's actions regarding these investment partnerships and the investment manager, Pathway will evaluate these recommendations in light of the facts and circumstances surrounding the conflict of interest.

Pathway's clients or related parties may invest in investment partnerships independently of Pathway (either on their own or through another adviser). Accordingly, a conflict may result if Pathway is requested to take action on behalf of its clients who have invested through Pathway and such action is adverse to the interests of the Pathway client (or potential client, or their related parties) that has independently invested in the same investment partnership. In such situation, Pathway will act in the best interests of its clients who have invested through Pathway.

As part of the investment management services Pathway provides to its clients, individual representatives of Pathway often serve on the advisory boards and valuation committees (collectively "Advisory Boards") of the investment partnerships in which clients of Pathway invest. The typical functions of these Advisory Boards include reviewing and/or approving (1) valuations of the portfolio companies in which the investment partnership has invested and (2) certain activities by the investment partnership or its general partner.

While Pathway believes that its services on these Advisory Boards benefit its clients by allowing it to more effectively monitor the activities of these investment partnerships, its participation on these Advisory Boards could create certain theoretical conflicts of interest. For example, Pathway could theoretically use its participation on Advisory Boards to vote to approve (1) an excessive valuation of an investment partnership portfolio company or (2) certain investment activity by the investment partnership that would not be in the best interest of Pathway's clients (such as an investment in a portfolio company in which another investment partnership has invested).

Pathway's policy regarding Advisory Board membership is that it will participate on such boards only in a manner that is consistent with its duties to its clients. Specifically, like all situations involving a potential conflict of interest, Pathway (1) always seeks to use its position on Advisory Boards in a manner that is in the best interests of its clients and (2) never uses its position on an Advisory Board to further its own interests in a manner adverse to its clients. For any compensation, other than reimbursements for out-of-pocket expenses, that Pathway or its individual representatives receive for serving on Advisory Boards, Pathway offsets the management fee for its clients that are invested in the investment partnership.

Pathway restricts the trading of securities by Partners and employees in order to minimize the possibility or perception of conflicts of interest with its clients. Subject to certain limited exceptions, Partners and employees of Pathway, including their families and trusts in which any member of their family are trustees or in which any family member has a beneficial interest, are prohibited from trading, exchanging, or otherwise acquiring or disposing of publicly traded or privately placed stocks, securities, or similar investments.

Item 12. Brokerage Practices

Pathway utilizes brokers to liquidate securities distributed from the investment funds. These sales may be done in one block or in several smaller blocks, depending on the size of the holding and the potential impact of its sale on the market price. Clients can also elect to receive the distributed securities and manage the liquidation themselves. Pathway does not purchase publicly traded securities on behalf of its clients. Pathway may also have the ability to select a broker when an underlying investment partnership is distributing stock from the underlying partnership. In each case, Pathway considers the

following factors in selecting brokers for client transactions and determining the reasonableness of their compensation: (1) whether the broker can execute orders in a timely manner; (2) the broker's back-office capabilities, including the ease of the settlement process and the accuracy of settlement information; (3) the cost of service; (4) the restrictions imposed on the distributed securities; (5) the broker's trade-execution capabilities; (6) whether there will be a significant delay in the transfer of restricted securities to a selling broker (if the selling broker is not the distributing broker); and (7) the broker's experience handling private equity distributions.

Pathway does not receive any other products, compensation, research, or services from the brokers it selects, and receives no soft-dollar benefits. No client has directed Pathway to use a specific broker. Pathway does not receive client referrals from the brokers it selects.

Pathway engages in block trading (the bunching of transactions) with respect to the sale of securities distributed in-kind by the investment partnerships in which Pathway's clients are invested. All sales are allocated pro rata, based on the number of shares received, among Pathway's clients who participated in the distribution.

Item 13. Review of Accounts

Pathway is actively involved in reviewing client accounts and the activity of the investment partnerships or co-investments in which they are invested. Accounts are reviewed quarterly and whenever there is a distribution from a portfolio investment, a capital call by a portfolio investment, an amendment of an investment partnership agreement to which a client is a party, or termination of such an investment partnership investment. Pathway's senior managing directors, Douglas K. Le Bon, James H. Reinhardt, and Karen J. Jakobi, are collectively responsible for overseeing all client servicing, investment selection, negotiations, and monitoring processes. The senior managing directors establish and review criteria utilized by all reviewers. Accounts are reviewed by Pathway professionals, including one or more senior managing directors, managing directors, or directors. Pathway's review process includes the following objectives:

- **Assessing Performance**—Pathway's professionals review the investment partnership's or co-investment's financial statements, review portfolio investments (where provided), and measure performance over the life of the investment.

- **Reviewing Manager Compliance with Governing Documents**—Pathway reviews the limited partnership agreements and, as appropriate, monitors provisions, including those related to the investment partnership investment strategy, the investment pace, and distributions of the investment partnership or portfolio company.
- **Solidifying Relationships**—Pathway’s professionals maintain regular contact with fund managers and seek to provide guidance and assistance whenever possible. Pathway’s professionals also seek to solidify relationships by actively participating on advisory boards and valuation committees of funds.

An integral part of Pathway’s monitoring process includes Pathway’s commitment to re-laying the results of its review process to its clients in a timely manner. Pathway provides its clients with written quarterly reports to keep them up to date on all of their private equity fund investments. Subject to confidentiality restrictions, the detailed quarterly performance report includes updated valuations and performance figures. Pathway’s quarterly reports are typically prepared and delivered between 45 and 90 business days from the end of the quarter using the prior quarter’s financial information (the most-recent information available). Pathway also provides a private equity environment report to clients each quarter.

Clients are also provided access to Pathway’s Online Management System (POMS), which keeps clients informed on the progress of their portfolios. General information provided on POMS includes commitment levels, investment activity, portfolio diversification, performance data, and quarterly capital account information. Access is password-protected to ensure the confidentiality of data.

Item 14. Client Referrals and Other Compensation

Other than the management fees paid directly by clients, Pathway does not receive income from any sources or relationships related to its management of client accounts, including brokers, investment partnerships, placement agents, or other third parties. Occasionally, Pathway may receive compensation for serving on the Advisory Boards of the investment partnerships in which Pathway’s clients invest. For any compensation, other than reimbursements for actual out-of-pocket expenses, that Pathway receives for serving on these Advisory Boards, Pathway offsets its management fee for its clients that are invested in the investment partnership.

As discussed in Item 10 (Other Financial Industry Activities and Affiliations), Pathway, or one of its wholly owned affiliates, is the general partner or manager of 40 funds of funds and also co-invests in these vehicles.

Pathway has entered into a strategic alliance agreement with Tokio Marine Asset Management Co., Ltd., a Japan-based investment adviser, for the purpose of jointly establishing one or more funds of funds in which certain qualified Japanese and other Asian investors may invest. Under the agreement, management fees paid by the investors in the funds of funds are divided between Pathway and Tokio Marine in proportion to each party's advisory services and responsibilities relating to these clients.

Item 15. Custody

Pathway maintains custody of the assets held by the funds of funds it manages and of assets held for certain other clients. All client assets (other than interests in private equity funds) are held by qualified custodians selected either by Pathway or by the client. The qualified custodians, which include both banking and brokerage accounts, deliver original statements directly to clients at least quarterly, which clients should carefully review. Client assets are held in individual accounts, in the name of the client, and are not commingled. Pathway recommends that clients compare the information provided to them by Pathway with the statements they receive directly from qualified custodians.

Item 16. Investment Discretion

Pathway has discretion to make private equity investments for the majority of its clients. Pathway invests in and manages private equity investment partnership interests and co-investments on behalf of its clients, subject to specific guidelines (where appropriate) established by the client's contract. Any limitations with respect to Pathway's discretion are described in detail within the contracts. Guidelines may address the following:

- Size of Investments
- Total Annual Commitments
- Minimum or Maximum Number of Investments

- Geographic Exposure
- Diversification Requirements
- Strategy or Specific Investment Restrictions
- Restrictions on Secondary and Co-investment Purchases

Pathway is generally granted discretionary authority in client agreements through a power of attorney or as general partner or manager of the fund of funds. In some cases, a stand-alone power of attorney or letter agreement is used to augment or clarify Pathway's discretionary authority.

Item 17. Voting Client Securities

Generally, Pathway votes proxies in accordance with its own policies, but clients that are not in a Pathway fund of funds may, at their own discretion, elect to provide Pathway with their own written proxy voting guidelines. In those instances, Pathway will, to the best of its ability, follow the client's guidelines. In the absence of such guidelines, Pathway will exercise its fiduciary obligation to vote the client's proxy in the best interest of such client in accordance with Pathway's specific policies unless doing so would violate a client's investment guidelines. Pathway will monitor corporate actions and conduct such due diligence as deemed necessary to fulfill its fiduciary obligation to vote the client's proxy. Pathway does not utilize a proxy voting service.

In the event that Pathway has a conflict of interest with a client, Pathway will disclose the nature of the conflict of interest to such client and will obtain the client's written consent before voting such client's proxy. For example, Pathway would require client consent in the event that a proxy vote was being taken by any company for which Pathway also provides investment advisory services. In addition, Pathway would require client consent in the event that it becomes aware that a proxy vote was taken by any company that any principal or employee of Pathway has a significant personal or business relationship with. Pathway will provide a copy of Pathway's Proxy Voting Policy upon request. In addition, any client may request from Pathway information regarding how its securities were voted. Such request should be directed to Pathway's chief compliance officer using the contact information for the Irvine office set forth in Item 1.

Item 18. Financial Information

This item is inapplicable to Pathway because (1) Pathway does not require or solicit payment of more than \$1,200 in fees per client six months or more in advance, (2) Pathway has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and (3) Pathway has not been the subject of a bankruptcy petition at any time during the past 10 years.



