

## Brochure

### Item 1 - Cover Page

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This brochure provides information about the qualifications and business practices of TFL. If you have any questions about the contents of this brochure, please contact us at (612) 844-5018. 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 TFL also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that even though TFL is a registered investment adviser with the SEC, registration with the SEC does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

There are no material changes to this brochure since it was last updated on March 27, 2014.

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## **Item 4 - Advisory Business**

TFL is a fraternal benefit society organized under the laws of Wisconsin. TFL's primary business is that of a fraternal benefit society that offers insurance products to its members. TFL is also registered with the SEC as an investment adviser. TFL and its affiliates have been in the investment advisory business since 1986. TFL and its affiliates are not publicly traded entities, nor does TFL have any principal owners.

TFL provides investment advisory services to Thrivent Series Fund, Inc. ("TSF"), a registered investment company under the Investment Company Act of 1940 (the "Investment Company Act") that is comprised of several mutual fund series. These mutual fund series serve as investment options for (1) variable products sponsored by TFL and Thrivent Life Insurance Company ("TLIC"), an indirect wholly owned subsidiary of TFL, and (2) a retirement plan sponsored by TFL. TFL also provides investment advisory services to an affiliated pension plan, an affiliated charitable organization, and another registered investment company – Thrivent Cash Management Trust. In addition, TFL is the managing member of several general partners that manage the day-to-day operations of several limited partnerships (the "Private Funds"). These Private Funds include equity co-investment funds, mezzanine funds and funds-of-funds. TFL's advice, with respect to the Private Funds, is limited to the types of investments described in the previous sentence. The only investors in the Private Funds are (i) TFL and (ii) certain employees of TFL who are "knowledgeable employees" as defined under Rule 3c-5 of the Investment Company Act.

The general partners of the Private Funds ("General Partners") are affiliated with TFL. Each General Partner is deemed to be registered under the Investment Advisers Act of 1940, as amended, pursuant to TFL's registration, in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with TFL.

The advisory services provided to the Private Funds are tailored to the individual needs of each Private Fund. The terms, limitations and conditions of the advisory services provided to the Private Funds are set forth in each Private Fund's limited partnership agreement and offering memorandum.

As of December 31, 2014, TFL managed, on a discretionary basis, \$88,507,279,619 in assets. Of this amount, \$ 2,205,146,843 was assets of the Private Funds. As of this date, TFL did not manage any assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

The General Partners are entitled to receive performance fees, also known as carried interest, following the return of capital contributions and the payment of the preferred return (also known as the hurdle rate) to the limited partners and the payment of expenses. TFL is the managing member of each General Partner and receives a percentage of each General Partner's performance fee.

The General Partners of the Private Funds that are funds-of-funds are entitled to a carried interest of 1.25%. The General Partners of the Private Funds that are equity co-investment funds and mezzanine funds are entitled to a carried interest of 5%. The carried interest that the General Partners may receive is deducted from the periodic distributions that each Private Fund makes periodically (generally, at least annually with respect to dividend and income payments and whenever a portfolio investment is sold, assuming that there is an applicable gain).

Neither TFL nor the General Partners receive a management fee.

In addition to the carried interest discussed above, investors, through their interests in the Private Funds, bear their proportional share of a Private Fund's costs, expenses, liabilities and obligations relating to the Private Fund's activities, investments and business (to the extent not borne or reimbursed by a portfolio company), including, without limitation (i) all costs, expenses, liabilities and obligations attributable to acquiring, holding and disposing of investments (including, without limitation, interest on money borrowed by such Private Fund or the general partner on behalf of the Private Fund, registration expenses and brokerage, finders', custodial and other fees); (ii) legal, accounting, auditing, litigation and indemnification costs and expenses, judgments and settlements, consulting, finders', financing, appraisal, filing and other fees and expenses (including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedule K-1s or any other reporting to the limited partners); (iii) all costs, expenses, liabilities and obligations incurred by such Private Fund, the General Partner or TFL employee relating to investment and disposition opportunities for the Private Fund not consummated (including, without limitation, legal, accounting, auditing, consulting, finders', financing, appraisal, filing, printing, real estate title and other fees and expenses); (iv) any taxes, fees and other governmental charges levied against the Private Fund; and (v) all organizational and extraordinary expenses.

The Private Funds do not typically incur brokerage fees. However, any brokerage fees incurred in connection with the purchase of securities on behalf of the Private Funds are normally paid by the issuer of the securities being purchased. The brokerage firms through which these securities are purchased generally act solely in an agency capacity and are paid for placement services by such issuers. Please see Item 12 – Brokerage Practices for a more thorough description of the brokerage practices and expenses.

The Private Funds do not typically pre-pay the carried interest to their General Partners. Each partnership agreement, however, contains a giveback provision that generally requires the General Partner, upon liquidation of the Private Fund, to distribute to a limited partner an amount equal to the greater of (i) the amount by which a limited partner's capital contribution plus its preferred return exceeds aggregate distributions received by the limited partner, or (ii) the amount by which aggregate carried interest received by the general partner (with respect to the limited partner) exceeds 1.25%, in the case of a Private Fund that is a fund-of-funds, or 5%, in the case of a Private Fund that is either an equity co-investment fund or a mezzanine fund.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

The General Partners may receive performance-based fees, also known as carried interest. TFL is the managing member of the General Partners and receives a percentage of the carried interest. These fees are based on realized net gains from the disposition of portfolio investments, and with respect to mezzanine funds, each investor's proportional share of current income generated by portfolio investments held by the applicable fund.

The investment objectives and strategies of the Private Funds and the other accounts managed by TFL vary significantly. In general, the Private Funds invest in investments in which the TSF mutual fund series would be unlikely to invest or, in many cases, in which the TSF mutual fund series would be prohibited from investing (*i.e.*, investments in private companies). It may be possible, however, for TFL to identify investment opportunities that could potentially be permissible for the Private Funds and

the mutual fund clients. Because TFL receives a percentage of the carried interest from the General Partners' management of the Private Funds, and not from its management of its mutual fund clients, it could face a potential conflict of interest if it were to identify such an investment opportunity.

As a registered investment adviser under the Investment Advisers Act of 1940, TFL is under an obligation to treat each of its clients fairly. As a result, TFL has adopted an allocation policy that sets forth its procedures when allocating an investment opportunity among accounts. Pursuant to this policy, TFL makes allocation determinations based upon the appropriateness of the investment for the client. The allocation policy prohibits TFL from favoring one client over another client. TFL's allocation policy also prohibits its investment professionals from allocating or re-allocating investments to enhance the performance of one account over another account or to favor any affiliated account or any other account in which an employee has any interest. In instances when TFL has clients with overlapping investment mandates and objectives, it will generally allocate investments proportionally among those clients. In cases where TFL does not proportionally allocate investments among client accounts with overlapping mandates, it documents its reasoning.

## **Item 7 - Types of Clients**

As stated earlier in Item 4, TFL provides investment advice to TSF and, through the applicable General Partners, the Private Funds. These Private Funds include equity co-investment funds, mezzanine funds and funds-of-funds. The Private Funds are exempt from registration as investment companies under the Investment Company Act pursuant to Sections 3(c)(1) and 3(c)(7) under the Investment Company Act. The Private Funds do not have a specified minimum investment requirement for limited partners. Each of the limited partners of the Private Funds, other than TFL, is a "knowledgeable employee" as such term is defined under Rule 3c-5 under the Investment Company Act of 1940.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

TFL focuses its Private Funds investments on a portfolio of middle market companies across multiple industries. The Funds' portfolios may consist of limited partnership or limited liability company interests in private investment funds ("Portfolio Funds") and, through co-investments, securities of operating companies.

With respect to Private Funds that are funds-of-funds, TFL's investment selection process begins by identifying potential Portfolio Funds in an attempt to create a diversified portfolio. TFL monitors several hundred private investment funds and actively tracks a subset of such funds that it believes have the potential for attractive performance. TFL seeks to identify the Portfolio Funds that fit best within the fund-of-funds' strategy. In evaluating potential Portfolio Funds for possible investments, TFL conducts its own due diligence.

With respect to Private Funds that are equity co-investment funds or mezzanine funds, TFL actively seeks co-investment opportunities that fit well within the applicable funds' portfolios. In determining whether to enter into an equity or mezzanine co-investment, TFL typically evaluates the sponsor of the investment, the particular company, the industry, the company's management, and the company's financials. As with investments in Portfolio Funds, TFL conducts its own due diligence to identify operating companies in which to co-invest.

Investing in the Private Funds is subject to several risks, including the following. Risks presented as applicable to a Private Fund may be equally applicable to, and where context allows should be construed to include, a Portfolio Fund, and vice versa.

*Business Risks.* Each Partnership's investments will consist primarily of either securities issued by privately held companies or of securities issued by funds that in turn invest in privately held companies and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. A return on an investment in the GP is solely dependent on the Partnerships' performance.

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

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

*Leveraged Nature of Private Equity.* The companies in which a Partnership invests (directly or indirectly through a Portfolio Fund) may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs or to pay dividends, principal or interest on the Partnership's investments. The leveraged capital structure of a company will increase the exposure of the Partnership's investments to any deterioration in such company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event a company cannot generate adequate cash flow to meet its debt service and other obligations, the Partnership (or the Portfolio Fund in which the Partnership invests) may suffer a partial or total loss of capital invested in such company, which could adversely affect the returns of the Partnership. Furthermore, the companies and securities in which the Partnership will invest generally will not be rated by a credit rating agency.

*Concentration of Investments.* Each Partnership will participate in a limited number of investments. As a result, a Partnership's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return.

*Lack of Sufficient Investment Opportunities.* It is possible that a Partnership will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity and mezzanine transactions is highly competitive and involves a high degree of uncertainty.

*Illiquidity; Lack of Current Distributions.* An investment in a Partnership or the GP should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating

a Partnership or the GP may exceed its income, thereby requiring that the difference be paid from capital.

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

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

Reliance on the GP. Each Partnership has no operating history and will be entirely dependent on the GP. Control over the operation of each Partnership will be vested entirely with the GP, and each Partnership's future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on a Partnership's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Partnership, and as a result, the investment performance of such Partnership will depend entirely on the actions of the GP. Although the GP will monitor the performance of each Partnership investment, it will primarily be the responsibility of third-party management teams to operate a Portfolio Company or Portfolio Fund on a day-to-day basis.

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

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

Significant Default Penalties. Each Partnership Agreement provides for significant penalties and other adverse consequences in the event a limited partner defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from the applicable Partnership, a defaulting limited partner may be forced to transfer its interest in such Partnership for an amount that is less than the fair market value of such interest.

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

Non-controlling Investments. Each Partnership anticipates that it may hold debt obligations, other non-controlling interests in Portfolio Companies or Portfolio Funds and, therefore, will have a



limited ability to protect such Partnership's position in such Portfolio Companies or Portfolio Funds.

*Delayed Schedule K-1s.* Each Partnership and the GP may not be able to provide final Schedule K-1s to limited partners or members for any given fiscal year until after April 15 of the following year. The GP will use reasonable efforts to provide limited partners and members with final Schedule K-1s or with estimates of the taxable income or loss allocated to their investment in the applicable Partnership or the GP on or before such date, but final Schedule K-1s may not be available until the Partnerships have received tax-reporting information from their Portfolio Companies and Portfolio Funds necessary to prepare final Schedule K-1s. Limited partners and members may be required to obtain extensions of the filing dates for their federal, state, and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in a Partnership or the GP.

## **Item 9 - Disciplinary Information**

There is no legal or disciplinary event that is material to TFL's advisory business or its management.

## **Item 10 - Other Financial Industry Activities and Affiliations**

TFL is affiliated with several other entities that are in the financial services industry. In addition, certain of the executive officers and managers of TFL are executive officers and/or directors/managers of these affiliated entities.

*Broker-Dealer:* TFL is affiliated with Thrivent Investment Management, Inc., a dually registered broker-dealer and investment adviser ("TIMI"); TIMI serves as the principal underwriter for the Thrivent Mutual Funds ("TMF"). TIMI does not execute any portfolio brokerage for TMF or TSF.

*Investment Advisers:* Thrivent Asset Management, LLC serves as adviser to TMF and, along with TIMI, is registered as investment advisers under the Investment Advisers Act of 1940 (the "Advisers Act"). TFL has business and financial arrangements with each of TAM and TIMI and the Thrivent-sponsored investment companies. These arrangements relate to (1) financial and operational issues concerning these affiliated entities and (2) the allocation and payment of expenses, and the transfer and accounting of funds, among these affiliated entities.

TIMI, a dually registered broker-dealer and investment adviser, provides asset management services to retail clients, including financial planning services and managed account programs. The programs are offered through licensed registered representatives. Transactions in the mutual fund wrap programs are done through TIMI's clearing broker.

*Investment Companies:* TFL serves as investment adviser to TSF and Thrivent Cash Management Trust (the "Cash Management Trust"), a Massachusetts business trust registered under the Investment Company Act of 1940 (the "1940 Act") as an open-end investment company.<sup>1</sup> TFL is also responsible for providing administrative and accounting services to TSF and the Cash Management Trust.

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<sup>1</sup> TFL has established a securities lending program for certain affiliated entities (*i.e.*, TMF and TSF). Each series of TMF and TSF that participates in this lending program invests cash collateral received from securities lending activity in the Cash Management Trust, a money market fund that complies with Rule 2a-7 under the 1940 Act.

*Financial Planning Firm:* TIMI provides fee-based financial planning services through licensed registered representatives.

*Trust Company:* Thrivent Trust Company is chartered as a limited purpose federal savings bank and offers trust services.

*Insurance Companies:* TFL, a not-for-profit nonstock membership organization, is licensed to conduct business as a fraternal benefit society in all states and the District of Columbia and offers traditional life insurance products and variable annuity and variable life insurance contracts. TLIC, a wholly owned indirect subsidiary of TFL and, along with TIMI, a partial owner of TAM, is an insurance company licensed to sell insurance products in most states and the District of Columbia. Thrivent Insurance Agency Inc., also a wholly owned indirect subsidiary of TFL, is a life and health insurance agency engaged in the distribution of non-proprietary life insurance, health insurance and annuity products.

*Sponsor or Syndicator of Limited Partnership:* As discussed above, certain entities affiliated with TFL serve as general partner to limited partnerships that invest in private equity.

*Other:* Certain Supervised Persons of TFL (as defined under the Advisers Act) assist in managing the portfolios of a foundation and the pension plan sponsored by TFL.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

TFL or an advisory affiliate registered under the Advisers Act (each, an “Adviser”) may serve as the investment manager to other client accounts, such as the series of TMF and TSF. The Advisers may give advice and take action with respect to any funds or accounts they manage, or for their own account, that may differ from action taken by them on behalf of other funds or accounts. The Advisers are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that they or their Access Persons (as defined under the federal securities laws) may buy or sell for their own accounts or for the accounts of their clients. The Advisers are not obligated to refrain from investing in securities held by funds or accounts that they manage except to the extent that such investments violate the code of ethics adopted by the Advisers or the mutual funds that they manage (*i.e.*, TMF, TSF and the Cash Management Trust) or other firmwide policy (*e.g.*, insider trading policy).

From time to time, employees and principals of the Advisers or any other related persons may have interests in securities owned by or recommended to TFL’s advisory clients (or securities related to those securities). As these situations may represent a potential conflict of interest (possibly encouraging advisory personnel to put their economic interests ahead of the Advisers’ clients), the Advisers have adopted procedures relating to personal securities transactions and insider trading, which are designed to mitigate these potential conflicts.

The Advisers have adopted a code of ethics in accordance with the federal securities laws (the “Code”) to govern personal transactions by Access Persons and to help ensure that the interests of Access Persons do not conflict with the interests of the Advisers’ clients. The Code restricts the purchase and sale of certain reportable securities by portfolio managers within seven days before or after execution of a transaction in any such security for the accounts of clients they manage. In addition, Access Persons

may not engage in a personal transaction in any nonexempt reportable security for which any order for a client is pending until such order is executed or withdrawn. All Access Persons must also request pre-clearance through the Personal Trading Assistant, an electronic reporting system maintained by TFL's compliance department ("Compliance"), in order to make personal securities transactions in certain reportable securities, such as shares offered in an initial public offering. Further, all Access Persons must certify to quarterly reports of their personal transactions within 30 days of the end of each calendar quarter (or, in the alternative, the Access Person could have his/her Thrivent-approved broker provide confirmations or periodic statements to Compliance). A copy of TFL's Code is available to any client or prospective client upon request by calling (612) 844-8593. In addition, TFL has a Code of Conduct that requires all Access Persons and all Supervised Persons of TFL to comply with ethical restraints relating to, among other things, giving gifts to, and receiving gifts from, service providers.

In connection with the Code, the Advisers have also adopted an insider trading policy. The Advisers and their related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. The Advisers and their related persons are prohibited from improperly disclosing or using such information for their own personal benefit or for the benefit of any other person, regardless of whether such other person is a client of the Advisers. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they are prohibited from communicating such information to, or using such information for their own benefit or the benefit of, their respective clients.

Any officer, director, elected manager or employee of the Advisers subject to the Code who fails to observe the Code and insider trading policy risks being subject to grave sanctions, including dismissal and personal liability.

In addition to the conflicts presented by the personal trading of advisory personnel, TFL's affiliation with other entities that offer Thrivent products to the public presents potential conflicts of interest.

## **Item 12 - Brokerage Practices**

With respect to the Private Funds, TFL focuses on securities transactions of private companies and generally purchases and sells such interests through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, TFL may also cause the Private Funds to distribute securities to investors in the Private Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although TFL does not intend regularly to engage in public securities transactions with respect to the Private Funds, to the extent it does so, it will follow the brokerage practices described below.

Depending upon the terms of the agreement entered into with each client, TFL generally has discretionary authority to make the following determinations without client consultation or consent prior to effecting each transaction:

- which securities are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the broker-dealer through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

With respect to each discretionary account, however, TFL's authority is subject to certain limits, including applicable investment objectives, policies and restrictions. These limitations may be based on a variety of factors, such as regulatory constraints, as well as policies imposed by a client or its governing body. For each advisory client, TFL follows the guidelines specified in the client's advisory contract.

#### Selection Criteria for Brokers-Dealers

In arranging for the purchase and sale of clients' portfolio securities, TFL takes into consideration any legal restrictions, such as those imposed under the securities laws, and any client-imposed restrictions. Within these constraints, TFL employs or deals with members of the securities exchanges and other brokers and dealers that, in TFL's judgment, implement TFL's policy of seeking best execution of portfolio transactions.

TFL's overriding objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its clients' portfolio transactions. The best net price, giving effect to brokerage commissions or spreads, if any, and other transaction costs, is normally an important factor in this decision, but a number of other judgmental factors may be considered when relevant.

The factors include, but are not limited to: the execution capabilities required by the transactions; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the ability and willingness of the broker or dealer to facilitate the accounts' portfolio transactions by participating for its own account or committing capital to the transaction; TFL's knowledge of negotiated commission rates currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; the execution, clearance and settlement capabilities of the broker or dealer both with respect to the specific transaction and the overall service to TFL as well as the reputation and perceived soundness of the broker-dealer selected and others which are considered; the financial stability of the broker or dealer; TFL's knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of commissions; the brokerage and research services provided by the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. TFL does not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions but weighs a combination of the preceding factors. TFL's trading desk also considers input from portfolio management and research in directing brokerage. The criteria being used for best execution is reviewed periodically by the Brokerage Practices Committee (the "Brokerage Committee").

TFL may use Electronic Communications Networks ("ECN") or Alternative Trading Systems ("ATS") to effect such trades when, in TFL's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions.

TFL endeavors to be aware of current charges of eligible broker-dealers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of their advisory accounts. However, TFL will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although TFL generally seeks competitive

commission rates, it will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services, which will help TFL in providing investment management services to its advisory clients. TFL may, therefore, use a broker that provides useful research and securities transaction services even though a lower commission may be charged by another broker.

#### Research and Other Soft Dollar Benefits

Consistent with the duty to seek best execution, brokerage commissions on client accounts' portfolio transactions may be directed to broker-dealers in recognition of research furnished by them, as well as for services rendered in the execution of orders by such broker-dealers. The commissions used to acquire research in these arrangements are known as "soft dollars." Under an SEC interpretation, the term "commission" includes a markup, markdown, commission equivalent or other fee paid by an account to a dealer for executing a transaction where the fee and transaction price are fully and separately disclosed on the confirmation and the transaction is reported under conditions that provide independent and objective verification of the transaction price by a self-regulatory organization. As a result, fees charged in relation to certain NASDAQ-reported riskless principal transactions are eligible for use in soft dollar arrangements in addition to traditional agency commissions charged on equity securities transactions.

Broker-dealers typically provide a bundle of services that include research and execution. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by broker-dealer). A statutory "safe harbor" allows an investment adviser to use soft dollars to acquire either type of research, and TFL does receive both types of research with soft dollars. TFL also, in the past, has received brokerage services in exchange for soft dollars.

The receipt of research and other products and services in exchange for soft dollars benefits TFL by allowing it, at no cost to itself, to supplement its own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors. To the extent the receipt of such soft dollar services supplants services TFL would have acquired on its own, TFL's expenses are reduced. TFL therefore may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the advisory clients' interest in receiving most favorable execution. TFL, however, has a fiduciary duty to its advisory clients, which it takes seriously, and other controls, described below, which limit this incentive's effect.

Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, TFL often selects a broker-dealer that furnishes research products or services, including, but not limited to, reports on the economy, industries, sectors and individual companies or issuers; subscriptions to certain financial publications and research compilations; compilations of securities prices, earnings, dividends and similar data; financial and market databases; quotation services; and services of economic and other consultants providing advice with respect to portfolio strategy. TFL only uses client brokerage commissions to acquire research and other products and services that fall within the statutory "safe harbor."

TFL maintains an internal allocation procedure to identify those brokers that have provided research products or services and the amount of research products or services they provided, and endeavors to direct sufficient commissions to them to ensure the continued receipt of research products and services TFL believes are useful. The determination and evaluation of the reasonableness of the commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the person responsible for the placement of such transactions and a member of the Brokerage Practices Committee. The general level of commissions paid is also reviewed at least quarterly by TFL through its Brokerage Practices Committee.

It is not possible to place a dollar value on the special executions or on the research services TFL receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by TFL may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if TFL determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or TFL's overall duty to its discretionary accounts. In determining whether a service or product qualifies as research or execution, TFL evaluates whether the service or product provides lawful and appropriate assistance to TFL in carrying out its investment decision-making responsibilities.

TFL does not usually attempt to allocate the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research received benefits clients and assists TFL in fulfilling its overall duty to its respective clients. As a general matter, research received in exchange for soft dollars may be shared across all of the accounts managed by the advisory entities (*i.e.*, TAM and TFL) and their Supervised Persons. However, research obtained with soft dollars may not be utilized for the specific account that generated the soft dollars and not every research service may be used to service every account managed by these advisory entities. Commissions generated by equity portfolios may be utilized to acquire research services for fixed-income portfolios.

TFL will not enter into any agreement or understanding with any broker-dealer that would obligate it to direct a specific amount of brokerage transactions or commissions in return for research services. However, certain brokers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. TFL may use its available soft dollar credits to obtain a particular product and pay cash to make up any difference. In some cases, TFL receives products or services that are used both as investment research and for administrative, marketing or other non-research purposes ("mixed use" items). In such instances, TFL makes a good faith effort to determine the relative proportions of such products or services that may be considered as investment research and may use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, and accordingly represents a conflict of interest for TFL, TFL will make a good faith effort to allocate such items reasonably. Records of any such allocations and payments are prepared.

#### Client-Directed Brokerage Transactions

Advisory clients are not generally permitted to direct TFL to use specified broker-dealers in performing portfolio transactions. To the extent that a client may direct TFL to use a particular broker-dealer to execute transactions under terms negotiated by the client with a particular broker-dealer, however, such direction may result in higher commissions, greater spreads or less favorable net prices than might be the case if TFL could negotiate commission rates or spreads freely or select broker-dealers based on best execution. In addition, in a directed brokerage account, the client may pay higher brokerage commissions because TFL may not be able to aggregate orders to reduce transaction costs.

### Batch Transaction and Allocation Policy

Occasions may arise when two or more client accounts intend to purchase or sell the same security at approximately the same time on a combined basis. These transactions are referred to as “bunched” trades. Due to differences in strategies, it is quite possible that some securities may be held in more than one client account but not traded at the same time.

On those occasions when “bunched” trades are made, those trades will be allocated according to each client account’s targeted, unfilled position in a security. Although each account typically receives the full amount of securities ordered, in the unlikely event this is not achieved, such transactions will be allocated on a pro rata basis substantially in proportion to the amounts ordered to be purchased or sold by each account. Rounding of the pro rata amounts may take place to avoid holding uneconomic lot sizes.

In allocating purchase and sale transactions made on a combined basis, the authorized traders will seek to achieve the same net unit price of the securities for each account. Where the aggregate order is executed by the same broker in a series of transactions at various prices on a given day, each participating client account receives a proportionate share of such order reflecting the same average net price paid or received with respect to the total order.

TFL is not obligated to provide the same investment advice to each account it manages, including the purchase of, or participation in, initial public offerings (“IPOs”). In general, each portfolio manager is responsible for determining whether any particular IPO is an appropriate investment for the account he/she manages, based on investment objectives, investment restrictions and trading strategies. Accounts whose investment restrictions preclude investing in new, “unseasoned” or small capitalization issuers will not be considered for investments in IPOs. Accounts that are not prohibited from purchasing IPOs may nevertheless not participate in such transactions if to do so would be inconsistent with their trading practices. As a result, certain accounts managed by TFL may have greater opportunities than others to participate in IPOs.

Portfolio managers may purchase IPOs for TFL’s insurance general account and the accounts of TLIC, the Thrivent Financial Defined Benefit Trust, a defined benefit plan, and the Thrivent Financial for Lutherans Foundation, a tax-exempt foundation under Section 501 of the Internal Revenue Code (collectively referred to as the “Proprietary Accounts”). While this is an inherent conflict of interest, TFL and its affiliated investment adviser, TAM, take steps to ensure that it does not disadvantage client accounts by allowing Proprietary Accounts to participate only on the same terms and at the same price as client accounts.

In cases where the trading desk is able to obtain sufficient quantity to fill all current orders, the orders will be allocated according to each client account’s targeted, unfilled position in the security.

In cases where the trading desk is unable to obtain sufficient quantity to fill all current orders, certain circumstances may justify exceptions to the pro rata policies outlined above. Such exceptions include:

- ♦ *De minimis allocations*

Exceptions may be justified based upon large differences in asset sizes. This de minimis exception permits smaller accounts, or accounts with a small initial allocation after pro rata calculations, to receive their entire allocation before larger accounts are given their pro rata amount.

- ♦ *Uneconomic lot sizes*

Proportionate allocations will be rounded off by the portfolio manager to avoid holding uneconomic quantities, which might result in lower bids when the securities are eventually sold. Tracking uneconomic lot sizes may be accomplished by tracking both an absolute figure of an economic lot size (e.g., 50 share increments) in conjunction with the total asset size of each participating account.

- ♦ *Cash flow disparities*

Proportionate allocations may also be affected by the differing cash flow situations of each client account at the time of the transaction. Where allocations are affected by cash flow disparities, a written record will be maintained.

- ♦ *Specialized accounts*

Where there is an insufficient number of securities to satisfy all orders, portfolios with specialized investment policies may take priority over other clients for acquisitions of particular securities that satisfy that account's specialized needs. Tracking specialized account considerations may be accomplished by allocating portions based upon pro rata allocations using the relative asset size of each participating account's benchmark's holdings in securities of the same class as those being requested.

- ♦ *Other Considerations*

Other considerations include the recognition of the efforts of a particular portfolio manager for research with respect to the security involved and recognition of commission volume generated by each participating account. Where allocations are affected by portfolio management efforts, a written record will be maintained.

## **Item 13 - Review of Account**

The investments made by the Private Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, TFL closely monitors Portfolio Funds and portfolio companies in which the Private Funds invest and periodically checks to confirm that each Private Fund is maintained in accordance with its stated objectives.

The Private Funds will provide to their limited partners (i) audited financial statements annually, and (ii) annual tax information necessary for each partner's U.S. tax returns.

## **Item 14 - Client Referrals and Other Compensation**

Other than the soft dollar arrangements that are described in Item 12 above, no non-advisory client provides TFL with an economic benefit for providing investment advice or other advisory services.

No person receives compensation for referring advisory clients to TFL. TIMI and Thrivent Trust Company, however, have arrangements in place where individuals working for TIMI may receive compensation for client referrals.

A financial representative of TIMI that refers his/her clients to an investment adviser representative of TIMI (the "recipient financial representative") may share in the fee for the services provided by the recipient financial representative. This arrangement is only allowed if the financial representative making the referral is appropriately licensed and registered. Any payments to the financial representative making the referral will not increase the fee charged by the recipient financial representative.



In addition and separate from the above-referenced arrangement, Thrivent Trust Company compensates financial associates of Thrivent Financial and TLIC (who are also registered representatives of TIMI) for referring clients for trust services. Any such compensation payment will be disclosed to the client, when applicable and as required by state law, and will not increase the client's fees. Such payments may be made for the duration of the client accounts with Thrivent Trust Company.

## **Item 15 - Custody**

TFL has established accounts with the following qualified custodian to hold funds and securities on behalf of the Private Funds: U.S. Bank N.A., 777 E. Wisconsin Ave., Milwaukee, WI 53202.

## **Item 16 - Investment Discretion**

TFL has discretionary authority to manage investments on behalf of the Private Funds. As a general policy, TFL does not allow limited partners to place limitations on this authority. TFL assumes this discretionary authority pursuant to the terms of the Limited Partnership Agreements and powers of attorney executed by the limited partners of the Funds.

## **Item 17 - Voting Client Securities**

The Private Funds typically invest in private rather than public companies. Therefore, TFL is not generally called upon to vote proxies with respect to the Private Funds. However, to the extent TFL is called upon to vote securities on behalf of the Private Funds, it would do so according to the policy described below.

### **RESPONSIBILITY TO VOTE PROXIES**

Overview. TFL recognizes and adheres to the principle that one of the privileges of owning stock in a company is the right to vote in the election of the company's directors and on matters affecting certain important aspects of the company's structure and operations that are submitted to shareholder vote. As an investment adviser with a fiduciary responsibility to its clients, TFL analyzes the proxy statements of issuers whose stock is owned by institutional accounts that have requested that TFL be involved in the proxy process.

TFL has adopted Proxy Voting Policies and Procedures ("Policies and Procedures") for the purpose of establishing formal policies and procedures for performing and documenting its fiduciary duty with regard to the voting of client proxies.

Fiduciary Considerations. It is the policy of TFL that decisions with respect to proxy issues will be made in light of the anticipated impact of the issue on the desirability of investing in the portfolio company from the viewpoint of the particular TFL client. Proxies are voted solely in the interests of the client. TFL votes proxies, where possible to do so, in a manner consistent with its fiduciary obligations and responsibilities. Logistics involved may make it impossible at times, and at other times disadvantageous, to vote proxies in every instance.

Consideration Given Management Recommendations. One of the primary factors TFL considers when determining the desirability of investing in a particular company is the quality and depth of its management. The Policies and Procedures were developed with the recognition that a company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to the oversight of the company's board. Accordingly, TFL believes that the recommendation of management on most issues should be given weight in determining how proxy issues should be voted. However, the position of the company's management will not be supported in any situation where it is found to be not in the best interests of the client, and TFL reserves the right to vote contrary to management when it believes a particular proxy proposal may adversely affect the investment merits of owning stock in an issuer.

- ADMINISTRATION OF POLICIES AND PROCEDURES

TFL's Compliance and Governance Committee is responsible for establishing positions with respect to corporate governance and other proxy issues, including those involving social responsibility issues. Annually, the Compliance and Governance Committee reviews the Policies and Procedures. As discussed below, portfolio management of TFL may, with the approval of the Compliance and Governance Committee, vote proxies other than in accordance with the Policies and Procedures.

- HOW PROXIES ARE REVIEWED, PROCESSED AND VOTED

In order to facilitate the proxy voting process, TFL has retained Institutional Shareholder Services Inc. ("ISS"), an expert in the proxy voting and corporate governance areas. ISS specializes in providing a variety of fiduciary-level proxy advisory and voting services. These services include in-depth research, analysis, and voting recommendations as well as vote execution, reporting, auditing and consulting assistance for the handling of proxy voting responsibilities. While the Compliance and Governance Committee relies upon ISS research in helping to establish TFL's proxy voting guidelines, TFL may deviate from ISS recommendations on general policy issues or specific proxy proposals.

Summary of TFL's Voting Policies

Voting guidelines have been adopted by the Compliance and Governance Committee for routine anti-takeover, executive compensation and corporate governance proposals, as well as other common shareholder proposals. The following is a summary of the significant voting guidelines:

*Board Structure and Composition Issues* – TFL believes boards are expected to have a majority of directors independent of management. The independent directors are expected to organize much of the board's work, even if the chief executive officer also serves as chairman of the board. Key committees (audit, compensation, and nominating/corporate governance) of the board are expected to be entirely independent of management. It is expected that boards will engage in critical self-evaluation of themselves and of individual members. Individual directors, in turn, are expected to devote significant amounts of time to their duties, to limit the number of directorships they accept, and to own a meaningful amount of stock in companies on whose boards they serve. As such, TFL withholds votes for directors who miss more than one-fourth of the scheduled board meetings. TFL votes against management efforts to stagger board member terms because a staggered board may act as a deterrent to takeover proposals. For the same reasons, Thrivent Financial votes for proposals that seek to fix the size of the board.

*Executive and Director Compensation* – Non-salary compensation remains one of the most sensitive and visible corporate governance issues. Although shareholders have little say about how much the

CEO is paid in salary and bonus, they do have a major voice in approving stock option and incentive plans. Stock option plans transfer significant amounts of wealth from shareholders to employees, and in particular to executives and directors. Rightly, the cost of these plans must be in line with the anticipated benefits to shareholders. Clearly, reasonable limits must be set on dilution as well as administrative authority. In addition, shareholders must consider the necessity of the various pay programs and examine the appropriateness of award types. Consequently, the pros and cons of these proposals necessitate a case-by-case evaluation. Generally, TFL opposes compensation packages that provide what it views as excessive awards to a few senior executives or that contain excessively dilutive stock option grants based on a number of criteria such as the costs associated with the plan, plan features, and dilution to shareholders.

*Ratification of Auditors* - Annual election of the outside accountants is standard practice. While it is recognized that the company is in the best position to evaluate the competence of the outside accountants, we believe that outside accountants must ultimately be accountable to shareholders. Given the rash of accounting irregularities that were not detected by audit panels or auditors, shareholder ratification is an essential step in restoring investor confidence. In line with this, TFL votes for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

*Mergers and Acquisitions, Anti-Takeover and Corporate Governance Issues* - TFL votes on mergers and acquisitions on a case-by-case basis, taking the following into account: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; the opinion of the financial advisor; potential conflicts of interest between management's interests and shareholders' interests; and changes in corporate governance and their impact on shareholder rights. TFL generally opposes anti-takeover measures because they adversely impact shareholder rights. Also, TFL will consider the dilutive impact to shareholders and the effect on shareholder rights when voting on corporate governance proposals.

*Social, Environmental and Corporate Responsibility Issues* - In addition to moral and ethical considerations intrinsic to many of these proposals, TFL recognizes their potential for impact on the economic performance of the company. TFL balances these considerations carefully. On proposals which are primarily social, moral or ethical, TFL believes it is impossible to vote in a manner that would accurately reflect the views of the beneficial owners of the portfolios that it manages. As such, on these items, TFL abstains. When voting on matters with apparent economic or operational impacts on the company, TFL realizes that the precise economic effect of such proposals is often unclear. Where this is the case, TFL relies on management's assessment, and generally votes with company management.

*Shareblocking* - Shareblocking is the practice in certain foreign countries of "freezing" shares for trading purposes in order to vote proxies relating to those shares. In markets where shareblocking applies, the custodian or sub-custodian automatically freezes shares prior to a shareholder meeting once a proxy has been voted. Shareblocking typically takes place between one and fifteen (15) days before the shareholder meeting, depending on the market. In markets where shareblocking applies, there is a potential for a pending trade to fail if trade settlement takes place during the blocking period. Thrivent Financial generally abstains from voting shares in shareblocking countries unless the matter has compelling economic consequences that outweigh the loss of liquidity in the blocked shares.

#### Meeting Notification

TFL utilizes ISS' voting agent services to notify us of upcoming shareholder meetings for portfolio companies held in client accounts and to transmit votes on behalf of our clients. ISS tracks and

reconciles TFL's holdings against incoming proxy ballots. If ballots do not arrive on time, ISS procures them from the appropriate custodian or proxy distribution agent. Meeting and record date information is updated daily in ViewPoint, ISS' web-based application. ISS is also responsible for maintaining copies of all proxy statements (other than those which are available on the SEC's EDGAR database) received by issuers and to provide such materials to TFL promptly upon request.

#### Vote Determination

ISS provides comprehensive summaries of proxy proposals, publications discussing key proxy voting issues, and specific vote recommendations regarding portfolio company proxies to assist in the proxy research process. Upon request, portfolio managers may receive any or all of the above-mentioned research materials to assist in the vote determination process. The final authority and responsibility for proxy voting decisions remains with TFL. Decisions with respect to proxy matters are made primarily in light of the anticipated impact of the issue on the desirability of investing in the company from the viewpoint of our clients.

Portfolio managers, executive officers and directors (or persons holding equivalent positions) of TFL and its affiliates may on any particular proxy vote request to diverge from the Policies and Procedures. In such cases, the person requesting to diverge from the Policies and Procedures is required to document in writing the rationale for his/her vote and submit all written documentation to the Compliance and Governance Committee for review and approval. In determining whether to approve any particular request, the Compliance and Governance Committee will determine that the request is not influenced by any conflict of interest and is in the best interests of its clients.

#### Monitoring and Resolving Conflicts of Interest

The Compliance and Governance Committee is responsible for monitoring and resolving possible material conflicts between the interests of TFL and those of its clients with respect to proxy voting. Application of the voting guidelines to vote client proxies should in most instances adequately address any possible conflicts of interest because the voting guidelines are pre-determined by the Compliance and Governance Committee using recommendations from ISS.

However, for proxy votes inconsistent with the voting guidelines, Investment Operations gathers the documentation with respect to the portfolio manager's voting rationale and brings it to the Compliance and Governance Committee for review for possible conflicts of interest. The Compliance and Governance Committee assesses whether any business or other relationships between TFL and a portfolio company could have influenced an inconsistent vote on that company's proxy.

#### • **REPORTING AND RECORD RETENTION**

Proxy statements and solicitation materials received from issuers (other than those which are available on the SEC's EDGAR database) are kept by ISS in its capacity as voting agent and are available upon request. TFL retains documentation on shares voted differently than the voting guidelines, and any document which is material to a proxy voting decision such as the TFL voting guidelines and the Compliance and Governance Committee meeting materials. All proxy voting materials and supporting documentation are retained for the applicable required period under the federal securities laws.

Clients may obtain a copy of TFL's voting Policies and Procedures, or information as to how proxies were voted, is available by calling (612) 844-8033.

**Item 18 - Financial Information**

TFL does not solicit prepayment of fees from the Private Funds nor has it been the subject of a bankruptcy petition at any time during the past ten years. TFL currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

**Item 19 - Requirements for State-Registered Advisers**

Not applicable.