



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

**BERTRAM CAPITAL MANAGEMENT, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Bertram Capital Management, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (650) 358-5000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

There have been no material changes to this Brochure since the last version dated March 31, 2014.

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## ADVISORY BUSINESS

Bertram Capital Management, LLC (the “Management Company”), is a private investment management firm and a registered investment adviser with approximately \$982.9 million in client assets under management as of December 31, 2014. The Management Company is a California limited liability company and commenced operations in 2006. The Management Company’s principal owner is Jeffrey Drazan.

The Management Company and its affiliates (collectively, “Bertram”), including Bertram Growth Capital I (GP), L.P. (“General Partner I”) and Bertram Growth Capital II (GP), L.P. (“General Partner II”), each a Delaware limited partnership provide investment supervisory services to their clients, which currently consist of private investment funds (each, a “Fund,” and together with any future private investment funds to which the Management Company or its affiliates provide investment advisory services, including employee and co-investment vehicles and alternative investment vehicles, the “Private Investment Funds”). Each of General Partner I and General Partner II is a registered investment adviser under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Management Company, General Partner I and General Partner II operate as a single investment advisory firm and are all under common control.

General Partner I is the general partner of Bertram Growth Capital I, L.P. (“Fund I”), a Delaware limited partnership. General Partner II is the general partner of Bertram Growth Capital II, L.P. and Bertram Growth Capital II-A, L.P., each a Delaware limited partnership (collectively, “Fund II”).

The Funds are private equity funds and invest through negotiated transactions in operating entities. Pursuant to each Fund’s agreement of limited partnership (each, a “Partnership Agreement”), General Partner I and General Partner II (together with any future general partner of a Private Investment Fund, the “General Partners”) have the authority to manage the business and affairs of Fund I and Fund II, respectively. Each General Partner has delegated, subject to its oversight, day-to-day responsibility for the management and operations of the Funds to the Management Company pursuant to a management agreement (each, a “Management Agreement”).

The Management Company’s and the General Partners’ (collectively, the “Advisers”) investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Each Fund invests predominantly in non-public companies, although each Fund may invest in public companies, subject to any limitations set forth in its Partnership Agreement. The Advisers generally seek to take a controlling position when investing in a portfolio company, and generally at least one Bertram partner or other Bertram investment professional serves on a portfolio company’s board of directors in order to represent the applicable Fund’s interests in the portfolio company.

The Advisers’ advisory services for the Funds are detailed in the applicable private placement memoranda, Management Agreements and Partnership Agreements (collectively, the

“Fund Documents”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in such Fund’s overall investment program, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. Each Fund or General Partner may enter into side letters or other similar agreements with certain investors that have the effect of establish rights under, altering or supplementing the Partnership Agreement, including providing informational rights, addressing regulatory matters or varying fees and carried interest, with respect to such investors.

## **FEES AND COMPENSATION**

In general, the Management Company receives a management fee (the “Management Fee”) and the applicable General Partner receives a carried interest in connection with advisory services provided to each Private Investment Fund. For each Private Investment Fund, the carried interest distributed to a General Partner is generally subject to a potential giveback at the end of a Fund’s life if the General Partner has received excess cumulative distributions. The Management Company or other Bertram entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies (e.g., monitoring or other fees) of Private Investment Funds and a portion of such additional compensation may offset the Management Fees otherwise payable to the Management Company. Investors should review the applicable Fund’s Partnership Agreement for details regarding the fee structures summarized below. Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the applicable Partnership Agreement.

### ***Management Fees***

#### **Fund I**

Fund I paid General Partner I, or a designated affiliate, a quarterly management fee (the “Fund I Management Fee”) equal to 0.625% (i.e., 2.5% per annum) of aggregate subscriptions of all Fund I investors (“Fund I Subscriptions”) until December 31, 2012. Beginning January 1, 2013, the Fund I Management Fee for each subsequent fiscal quarter was reduced to 85% of the amount of the prior year’s Fund I Management Fee before taking into account certain adjustments as described in Fund I’s Partnership Agreement. Fund I investors participating in a closing after Fund I’s Initial Closing Date were required to bear the Fund I Management Fee from Fund I’s Initial Closing Date with interest, as set forth in Fund I’s Partnership Agreement.

#### **Fund II**

Fund II pays General Partner II, or a designated affiliate, a quarterly management fee (the “Fund II Management Fee”) equal to 0.5% (i.e., 2.0% per annum) of non-affiliated Fund II investors’ aggregate subscriptions (“Fund II Subscriptions”) until the fiscal quarter after Fund II reaches the sixth anniversary of its Effective Date or, if earlier, the date six months after the permanent expiration or termination of the investment period as a result of the occurrence of certain events stated in Fund II’s Partnership Agreement. For each twelve-month period thereafter, the Fund II Management Fee shall be reduced to 85% of the amount of the Fund II

Management Fee for the prior twelve-month period before taking into account certain adjustments as described in Fund II's Partnership Agreement. Fund II investors participating in a closing after Fund II's Initial Closing Date were required to bear the Fund II Management Fee from Fund II's Initial Closing Date with interest, as set forth in Fund II's Partnership Agreement.

### ***Other Management Fee Information***

Each Fund's Management Fee is calculated and paid quarterly in advance. Installments of the Management Fee payable for any period other than a full fiscal quarter period are proportionately adjusted based upon the ratio of the number of days in such period bears to ninety (90).

As set forth in the applicable Fund's Partnership Agreement, each Fund's Management Fee may be reduced, although not below zero, by a portion of directors' fees, consulting fees, commitment fees, monitoring fees, break-up fees and success fees or other remuneration paid to the Advisers and certain of their affiliates.

In addition, each Fund's Partnership Agreement allows its General Partner to waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital that the respective General Partner would otherwise be required to contribute to such Fund. The investors of a Fund may be required to make a pro rata contribution according to their respective Subscriptions to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not subject to certain Management Fee offsets (as defined in the respective Partnership Agreement), including any fees and/or other compensation received by Bertram Labs or an Operations Executive from a Fund's portfolio companies, prospective portfolio companies or from other customers for services rendered or products sold or licensed, as discussed in more detail below.

### ***Carried Interest***

With respect to Fund I, General Partner I is generally entitled to receive a carried interest equal to 20% (or 25% in the event certain additional performance targets are reached) of all realized profits, as more fully described in Fund I's Partnership Agreement. With respect to Fund II, General Partner II is generally entitled to receive a carried interest equal to 20% (or 25% in the event certain additional performance targets are reached) of all realized profits in excess of a 6% compound preferred return and related general partner catch up, as more fully described in Fund II's Partnership Agreement. The carried interest distributed to each General Partner is subject to a potential giveback at the end of the applicable Fund's life if the General Partner has received excess cumulative distributions.

### ***Other Information***

The Funds and other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the Fund (or the relevant Private Investment Fund, as

applicable) and investors generally are not permitted to withdraw from or redeem interests in the Fund (or other relevant Private Investment Fund, as applicable).

Bertram principals or other employees of the Management Company may receive a portion of the Management Fee, carried interest or other compensation received by the Management Company or its affiliates. In addition, a General Partner may exempt certain Fund investors, including the Advisers and their affiliates, from payment of all or a portion of Management Fees and/or carried interest.

Bertram Labs is a group of technology professionals that may be employed or retained by the Advisers or an affiliate thereof or successor thereto, to develop customized software and other technology products and/or solutions for and/or to provide other technology-related services and/or sell its products to a Fund, its portfolio companies and/or prospective portfolio companies as well as to other customers. Any fees or other compensation paid to Bertram Labs or its personnel by a portfolio company, prospective portfolio company or other party will not be treated as Portfolio Company Remuneration (as defined in the Partnership Agreement) and, therefore, will not reduce the Management Fee. Any fees or other compensation paid to Bertram Labs or its personnel by a Fund with respect to products or services provided to a portfolio company or prospective portfolio company will constitute "Fund Expenses".

In addition to Bertram Labs, the Management Company, a portfolio company or prospective portfolio company or any of their respective affiliates may, from time to time, retain operations professionals (the "Operations Executives") to provide manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence or other similar services to the Fund or any portfolio company or prospective portfolio company of a Fund. Any compensation received by the Operations Executives may be paid by a portfolio company or prospective portfolio company, which payments will not be treated as Portfolio Company Remuneration and, therefore, will not reduce the Management Fee.

In addition to the Management Fee, each Fund will pay all other costs and expenses relating to the Fund's activities, investments and business that are not reimbursed by a portfolio company (which reimbursements may be for travel (including private air charter costs) related to the investment activities of the Fund and any other expenses incurred in connection with such portfolio company) or applied to reduce Portfolio Company Remuneration. Such fees typically include: (i) organizational expenses incurred in connection with the organization, funding and start-up of a Fund, its General Partner and management entities; (ii) costs and expenses attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of the Fund's investments, including follow-on investments and refinancings (including interest on money borrowed by or on behalf of the Fund); (iii) legal, filing, accounting, auditing, consulting ((including consulting and retainer fees paid to Bertram Labs (as described above) or its personnel), consultants performing investment initiatives and other similar consultants), financing, insurance (including directors and officers, errors and omissions liability and other insurance), travel (including private air charter costs), broker, finder's, placement, financing commitment fees, real estate title, appraisal costs, printing, custodian, depositary, transfer, registration and other similar fees and expenses; (iv) expenses

incurred in connection with third party valuations; (v) expenses associated with the preparation of the Fund's financial statements, tax returns, tax estimates, Schedule K-1s or any other administrative, regulatory or other Fund-related reporting or filing obligations; (vi) expenses of the advisory committee (as defined below) and annual meetings of the investors and any other meeting with any investor(s); (vii) extraordinary expenses (such as litigation, indemnification, judgments and settlements, if any); (viii) expenses incurred in connection with transactions not consummated (including travel expenses, which may include private air charter costs); and (ix) any taxes, fees or other governmental charges levied against the Fund.

In the event that a Blocker Fund (as defined Fund II's Partnership Agreement) proposes to structure an investment using a blocker corporation or other intermediate entity to avoid causing investors of the Blocker Fund to incur UBTI (as defined in the Partnership Agreement) or ECI (as defined in the Partnership Agreement), all costs, expenses and reduction in proceeds attributable to such blocker corporation or other intermediate entity, including, without limitation, those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, a blocker corporation or other intermediate entity shall be borne solely by the investors investing through such intermediate entity.

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

As described under "Fees and Compensation," the General Partners receive a carried interest allocation on certain realized profits in the Funds. The Advisers currently advise only Funds that are charged a performance-based fee.

## **TYPES OF CLIENTS**

The Advisers provide investment advice to Private Investment Funds, which may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, insurance companies, pension and profit-sharing plans, trusts, estates or charitable organizations, corporations or other business entities or other investment entities, and may include, directly or indirectly, principals or other employees of the Management Company and its affiliates.

The Funds are closed to new investors, but each Fund generally had a minimum investment amount of \$5 million for third-party investors, which each Fund's General Partner had the right to waive. Generally investors in the Funds must be (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended and (ii) either "qualified clients" as defined under the Advisers Act or "knowledgeable employees" of the Advisers as defined under the Investment Company Act of 1940, as amended.



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

### ***General***

The Management Company provides day-to-day investment advisory services to the Funds, subject to the supervision of the applicable General Partner. The Management Company's Managing Partner has ultimate decision-making authority for each Fund. Since the Advisers have common owners and personnel, the Advisers' general investment methodology is described below. Investors should refer to the applicable Fund Documents for further information regarding investment strategies employed for a specific Fund.

There can be no assurance that the Advisers will achieve the investment objectives of each Fund and a loss of investment may be possible.

### ***Investment Strategy and Process***

The Advisers seek to make control investments principally in established companies in the middle-market primarily domiciled in North America, with approximately \$5 to \$30 million of EBITDA. The Advisers believe that companies of this size are usually large enough to have developed proven and sustainable business models yet small enough to offer substantial opportunities for growth and improvement in operating performance. The Advisers typically pursue investments in companies in the business services, consumer, industrial/ manufacturing, technology and health care industries. The Advisers typically invest Fund assets in a core platform company that has the potential for growth and then make add-on acquisitions as part of their "buy and build" strategy. The Advisers may also make non-control investments in partnership with other investors where the opportunity exists to exert influence over the operating strategy and/or management of the business. In addition, the Advisers may make initial investments in public entities with the intent of securing a larger minority or control position where the Advisers' strategies for growth are aligned with management.

The Advisers' investment process begins with sourcing investment opportunities. The Advisers have a designated business development team that focuses on sourcing opportunities that fit Bertram's investment criteria and building and maintaining strong intermediary relationships. Thesis-driven research and direct company outreach from the investment professionals augment business development efforts and enable the business development team to target specific industries in its conversations with intermediaries.

The Advisers assign three to four investment professionals to conduct a comprehensive industry and business analysis of each potential investment. The due diligence process is typically designed to develop a thorough understanding of a target company's business, markets and competitive position. The Advisers' due diligence review typically focuses on the following areas: the company's competitive position; attractiveness of the industry in which the company competes; trends affecting the industry; operating performance review, including historical performance and prospects for each product or service line; review of the company's competitors; structure of the company's customer base and distribution channels; opportunities for growth either organically or through acquisitions; supplier arrangements; cost position and

opportunities to improve margins through efficiencies; management's ability to execute; and exit strategies.

During the course of due diligence and strategic planning, the transaction team usually summarizes key findings which are reviewed by all investment professionals. The Advisers hold regular meetings to discuss the status of and critical items related to each potential investment. All investment professionals participate in the investment review process, while the Investment Committee provides final approval.

Once an investment is made, in partnership with such company's management, the Advisers then employ specific strategies to help the company distinguish itself operationally, accelerate the growth of the business and expand the business' total addressable market. The Advisers then seek to deploy more capital into the platform to act as a consolidator in the market. The Advisers' ultimate goal is to build a fundamentally stable and well diversified business that is influential in its sector. The Advisers typically hold investments between two and five years, while continually assessing the exit environment and potential alternatives available to its portfolio companies.

### ***Risks of Investment***

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Although the following risk factors are generally applicable to each of the Private Investment Funds, investors should review a particular Fund's private placement memorandum for information regarding risks specific to that Fund. In general, the risks involved with the Advisers' investment strategy and an investment in a Fund include, but are not limited to the following:

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

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

***Dynamic Investment Strategy.*** While the Advisers generally intend to make private equity investments, the Advisers may pursue additional investment strategies and may modify or depart from the initial investment strategy, investment process and investment techniques as the Advisers determine appropriate. The Advisers may pursue investments outside of the industries and sectors in which the Bertram principals have previously made investments.

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

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

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. However, investors will be required to bear Management Fees through the Funds during their Investment Period (as defined in the Partnership Agreement) based on the entire amount of the investors' investments and other expenses as set forth in the Partnership Agreement.

*Growth Equity Transactions.* Each Fund's strategy includes targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which the Advisers intend to invest, including various segments of the healthcare industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Advisers intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund invests. By way of example, the healthcare industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which a Fund may invest.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. 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 generally expected that this will not 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 each Fund (including the applicable Management Fee) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including any unfunded investment commitments.

***Need for Follow-On Investments.*** A Fund may make investments in portfolio companies with the intention of making follow-on investments in such portfolio companies or may decide, following its initial investment in a given portfolio company, to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

***Leveraged Investments.*** A Fund may make use of leverage by incurring or having a portfolio company, including in respect of companies not rated by credit agencies, incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to that particular Fund that may not be covered by distributions made to a Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies increases the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of that particular Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of that particular Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, that particular Fund may not achieve an exit multiple or enterprise

valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency.

***Restricted Nature of Investment Positions.*** Generally, there is no readily available market for a Fund's investments, and hence, most of a Fund's investments are difficult to value. Certain investments may be distributed in kind to investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

***Reliance on the Advisers and Portfolio Company Management.*** At the outset, a Private Investment Fund has no operating history and is entirely dependent on the Advisers. Control over the operation of a Fund will be vested entirely with the Advisers and a Fund's profitability depends largely upon the business and investment acumen of the Bertram principals. The loss or reduction of service of one or more of the Bertram principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Bertram principals currently, and may in the future, manage other investment funds besides the Funds, and the Bertram principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Bertram principals. Investors generally have no right or power to take part in the management of a Fund, and, as a result, the investment performance of a Fund will depend on the actions of the Advisers. In addition, certain changes in the Advisers or circumstances relating to the Advisers may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities. Although the Advisers will monitor the performance of each Fund investment, it is primarily the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with a Fund's objectives.

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

***Non-U.S. Investments.*** A Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other



things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the investors with respect to a Fund's income, and possible non-U.S. tax return filing requirements for a Fund and/or its investors.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

*Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) a Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in a Fund incurring additional costs and expenses; (ii) a Fund and/or the Advisers may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in a Fund incurring additional costs and expenses or otherwise affect the management and operation of a Fund; (iii) the Advisers may be required to make detailed information relating to a Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of a Fund in relation to EEA portfolio companies including, in some circumstances, a Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors

based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of investments.

*Hedging Arrangements.* The Advisers may (but are not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the Advisers and/or one of their affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Significant Adverse Consequences for Default.* Each Fund's Partnership Agreement provides for significant adverse consequences in the event an investor defaults on its investment or any other payment obligation. In addition to losing its right to potential distributions from the particular Fund, a defaulting investor may be forced to transfer its interest in the particular Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

*Dilution.* Investors who were admitted or that increase their respective investment to a Fund at subsequent closings generally participated in then-existing investments of the particular Fund, thereby diluting the interest of existing investors in such investments. Although any such new investors will be required to contribute their pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of a Fund's existing investments at the time of such contributions.

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

*Transfer by General Partner.* To the extent a General Partner, its partners, the Bertram principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Bertram principals, and increased costs associated with each of the aforementioned risks.

*Director Liability.* A Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately that particular Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

*Limitation of Recourse and Indemnification.* Each Fund's Partnership Agreement will limit the circumstances under which the Advisers and their affiliates will be held liable to that particular Fund. As a result, investors may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreement will provide that a Fund will indemnify the Advisers and their affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of a Fund. Such indemnification obligations could materially impact the returns to investors.

*Litigation.* In the ordinary course of its business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Advisers' and the Bertram principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for



investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up termination or other fees and expenses in the event the particular Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that the Advisers believe reflect the fair value of such investments. The impact of the market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The recent deterioration of the global credit markets has made it more difficult for investment funds, such as a Fund, to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent a Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Certain Consultants.* The Advisers, the Funds and the portfolio companies may from time to time retain other companies and individuals ("Special Consultants"), which may be affiliates of the Advisers, including Bertram Labs, employees of such affiliates, portfolio companies of other funds managed by the Advisers or their affiliates, third party consultants, "operating partners," "strategic partners," "executive partners" or "senior advisors." The Special

Consultants may be engaged to provide services to, or in connection with, a Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies (“Services”).

Pursuant to each Fund’s Partnership Agreement, fees and expenses associated with the Services (collectively “Consulting Fees and Expenses”), may be paid and/or reimbursed by applicable portfolio companies and/or a particular Fund. Consulting Fees and Expenses may, at the discretion of the Advisers taking into account the particular Services, include a profits or equity interest in a portfolio company or other incentive-based compensation to the Special Consultant, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultant, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company.

Without limiting the generality of the foregoing, Bertram Labs may make available to the portfolio companies proprietary software and other technology from Bertram Labs and/or certain technology consulting and other services from Bertram Labs or its personnel, in each case for a fee or other compensation determined by the Advisers to be appropriate.

*Unfunded Pension Liabilities of 80%-Owned Portfolio Companies.* Recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Advisers intend to manage its investments to minimize any such exposure, a Fund may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Fund (or other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of that Fund and the companies in which that Fund invests 80% or more of the equity.

*Monitoring Fee Acceleration.* Agreements made with portfolio companies may require the acceleration of future monitoring fees and other fees payable by a portfolio company at the sale or public offering of such portfolio company and an agreed upon value of such fees may be paid to the Advisers at such time.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by a Fund. When estimating fair value, the Advisers will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the Advisers may give rise to conflicts of

interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

***Co-Investments.*** The Advisers may, in their sole discretion, provide or commit to provide co-investment opportunities to one or more investors and/or other persons, in each case on terms to be determined by the Advisers in their sole discretion. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Advisers in their sole discretion, may not be in the best interests of a Fund or any individual investor. In exercising its sole discretion in connection with such co-investment opportunities, the Advisers may consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by the Advisers or their affiliates. A Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take action contrary to the investment objectives of a Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

***Contingent Liabilities Upon Disposition.*** In connection with the disposition of an investment, a Fund and/or the Advisers may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by a Fund and, ultimately, its investors.

### ***Conflicts of Interest***

Until such time as the Advisers are permitted to raise a successor investment fund to a Fund, the Bertram principals will pursue all appropriate investment opportunities that meet the investment criteria of the particular Fund for the benefit of that Fund, subject to certain exceptions set forth in the Partnership Agreement. However, the Bertram principals currently, and may in the future, manage several other investment funds besides the Funds and investments similar to those in which the Funds will be investing and may direct certain relevant investment opportunities to those other investment funds and investments. The Bertram principals and Advisers' investment staff will continue to manage and monitor such investment funds and investments. The Advisers believe that the significant investment of the Bertram principals in a Fund, as well as the Bertram principals' interest in the carried interest, operate to align, to some extent, the interest of the Bertram principals with the interest of the investors, although the Bertram principals have or may have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests.

Such other investment funds and investments that the principals may control or manage may compete with a Fund or companies acquired by a Fund. At such time as the Advisers are permitted to raise a successor investment fund to a Fund, the Bertram principals will continue to manage a Fund's investments, but also may, and likely will, focus investment activities on other opportunities and areas unrelated to such Fund's investments. Certain investments may be allocated between Funds and any successor or predecessor fund in a manner as set forth in the respective Partnership Agreement.

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

Principals and employees of the Advisers may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio company and its shareholders. In certain circumstances (for example in situations involving bankruptcy or near-insolvency of a portfolio company), actions that may be in the best interests of the portfolio company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there may be conflicts of interests between such individual's duties as an employee of the Advisers and such individual's duties as a director of such portfolio company.

In addition, the Advisers, their affiliates and/or their personnel maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, the Advisers and/or their affiliates, and/or the Funds.

In addition, a Fund's portfolio companies may, from time to time, make discounts and other benefits available to employees in connection with products or services offered by such companies.

### **DISCIPLINARY INFORMATION**

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

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

The Management Company is affiliated with General Partner I and General Partner II, each of which is an investment adviser registered with the SEC under the Advisers Act in accordance with SEC guidance. Certain of the Bertram principals, officers, employees and/or consultants of the Management Company serve the General Partners or other Bertram affiliates in a similar capacity.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of Bertram principals and employees and addresses conflicts that arise from personal trading. The Code requires Bertram personnel to report their personal securities transactions and to pre-clear all securities transactions (subject to limited exceptions stated in the Code) prior to directly or indirectly acquiring or disposing of beneficial ownership in securities. A copy of the Code will be provided to any investor or prospective investor upon request to Bertram’s Chief Compliance Officer at (650) 358-5000. The Code requires personal securities transactions to be conducted in a manner that prioritizes a Funds’ (and any other client’s) interests.

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

Accordingly, if the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to the Funds (or any other clients), and the Advisers will have no responsibility or liability for failing to disclose such information to the Private Investment Funds as a result of following the Advisers’ policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Private Investment Funds. As a result, the Advisers may be prohibited from making a purchase or sale on behalf of the Funds that they would otherwise make.

Bertram principals and employees of the Management Company and its affiliates may directly or indirectly own an interest in Private Investment Funds, including through a co-investment vehicle. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Private Investment Fund, subject to any limitations set forth in the applicable Partnership Agreements. General Partner I, directly or indirectly through affiliates, committed approximately \$14 million to Fund I and General Partner II committed, directly or indirectly through affiliates, approximately \$20 million to Fund II.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Private Investment Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Private Investment Funds, even though their investment objectives may be the same or similar.



## BROKERAGE PRACTICES

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

If an Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

In addition, with respect to private company securities transactions on behalf of the Funds, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Funds and/or their portfolio companies. In doing so, the Advisers may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not necessarily pay the lowest commission or fee for such services.

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

When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds. Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro*

*rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

## **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest. The Management Company bears the primary responsibility for confirming that each General Partner manages a private fund in accordance with the private fund's investment objectives and guidelines. Bertram's Chief Compliance Officer periodically will check to confirm that each private fund is being managed in accordance with its stated objectives.

Each Fund generally provides to its investors: (i) annual GAAP audited and quarterly unaudited financial statements and (ii) annual tax information necessary for each Limited Partner's tax return.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and their affiliates may enter into placement agreements or solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. The Advisers do not currently have any such agreements or arrangements, but they would expect that any fees and expenses payable to any such placement agents would generally be borne by the Advisers directly or indirectly through an offset against the applicable Private Investment Fund's Management Fee.

The Management Company and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, while certain compensation may offset a portion of a Fund's Management Fees, any payments for services provided to any portfolio company in its ordinary course of business and compensation for services provided by any Bertram personnel as an employee of or in a similar capacity for such portfolio company or its subsidiaries do not generally offset a Fund's Management Fee.

## **CUSTODY**

The Advisers maintain custody of each Fund's assets held in each Fund's name with certain qualified custodians. Merrill Lynch, Pierce, Fenner & Smith, Inc. holds securities for each Fund, Silicon Valley Bank holds Fund I's cash assets and First Republic Bank holds Fund II's cash assets.

## **INVESTMENT DISCRETION**

Pursuant to the terms of the applicable Partnership Agreement, the Management Agreements and powers of attorney executed by the investors of a Fund, the Management Company has discretion to manage investments on behalf of the Funds, subject to the oversight of the respective General Partners. As a general policy, the Advisers do not allow clients to place limitations on this discretionary authority. Pursuant to the terms of the Partnership Agreements, however, the General Partners may enter into “side letter” arrangements with certain investors whereby the terms applicable to such investors’ investments in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

## **VOTING CLIENT SECURITIES**

The Advisers have adopted the Bertram Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they will vote proxies, as applicable, for each Fund’s (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of a Fund’s investors through the Bertram principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Management Company may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Bertram personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. Current and prospective investors who would like a copy of the Advisers’ complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact Bertram’s Chief Compliance Officer at (650) 358-5000, and such information will be provided at no charge.

## **FINANCIAL INFORMATION**

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