

**Part 2A of Form ADV  
Firm Brochure  
Form ADV Part 2A**

**RIVER ASSOCIATES INVESTMENTS, LLC  
&  
RIVER ASSOCIATES, LLC**

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**March 30, 2015**

This Brochure provides information about the qualifications and business practices of River Associates Investments, LLC and River Associates, LLC ("River Associates"). If you have any questions about the contents of this Brochure, please contact us at (423) 755-0888 or at <http://www.riverassociatesllc.com>.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. River Associates is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. Registration of an investment adviser does not imply any level of skill or training.

Additional information about River Associates also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

River Associates is updating its Brochure as of March 30, 2015 as part of the annual updating amendment filing. The following is a summary of the material changes made since River Associates submitted its Brochure for an annual amendment filing on March 17, 2014.

- Update to Item 4.E to reflect the amount of client assets managed by River Associates as of December 31, 2014.
- Updates to Item 5 to expand disclosures on certain fees and expenses payable by the River Associates Funds.
- Made certain clarifying amendments to the Brochure.

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## **Item 4 – Advisory Business**

### **River Associates Investments, LLC**

River Associates Investments, LLC is a Tennessee LLC, organized in May 2001 and is owned largely by a number of River Associates senior managers, as described in River Associates' Form ADV Part 1A, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). There are no persons who own 25% or more of River Associates.

### **River Associates, LLC**

River Associates, LLC is a Tennessee LLC, organized in March 1995 and is owned largely by a number of River Associates senior managers, as described in River Associates' Form ADV Part 1A. River Associates, LLC is a relying adviser to River Associates Investment, LLC under No-Action Letter. River Associates, LLC serves as general partner to certain funds as further detailed in Item 10 below.

River Associates provides investment advisory services to a limited number of private investment funds (the "Funds"), each of which is funded through private placements. River Associates advisory services are provided directly to each fund and reflected by separate investment advisory agreements for each of the funds. Each Fund consists of a portfolio of private companies. River Associates' investment strategy is to develop each portfolio company's management team, market penetration, systems and operating facilities in order to make the portfolio company attractive to a strategic buyer or to a larger financial buyer. River Associates will only buy from other private equity firms if the investment team ("Investment Team") believes that there is still a significant opportunity to create value by implementing its core strategy.

Generally, River Associates Investments, LLC or an affiliate serves as the general partner of each Fund, and River Associates Investments, LLC serves as the investment adviser to certain Funds. References to River Associates in this Brochure include, as the context requires, any affiliates: (i) through which River Associates provides investment advisory services to the Funds or (ii) that serve as general partners of the Funds.

River Associates tailors its advisory services to the specific investment objectives and restrictions of each Fund. Investors and prospective investors in the Funds should refer to the confidential private placement memorandum, limited partnership agreement and other governing documents for each Fund (the "Governing Documents") for more complete information on the investment objectives and investment restrictions with respect to a particular Fund. There is no assurance that any of the Funds' investment objectives will be achieved.

In accordance with common industry practice, one or more of the Fund general partners has, and may in the future, enter into "side letters" or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally.

As of December 31, 2014, River Associates managed approximately \$269,185,302 in assets on a discretionary basis. River Associates does not currently manage any clients' assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Fees**

All investors (“Investors”) and prospective investors should review the Governing Documents of each River Associates Fund in conjunction with this brochure for complete information on the fees, compensation and expenses payable with respect to a particular Fund.

The fee schedules and termination provisions for River Associate’s Funds vary and are described in detail in each respective Fund’s Governing Documents.

### **Management Fees**

River Associates receives an annual management fee (“Management Fee”) from each Fund that is paid quarterly, semi-annually, or annually in advance, with fees for any period shorter than a full quarter being prorated for such quarter.

With respect to River II, LP and River III, LP the Management Fee is equal to a percentage (generally 2.50%) of the total capital contributions made or committed to be made. It should be noted that the investment period for these Funds is closed and the Funds are no longer charging the above-mentioned fees. With respect to River IV, LP, Hiawassee River, LP and River KO, L.P. the Management Fee is equal to (i) a percentage of contributed capital (2.00-2.50 %), (ii) and a designated percentage of invested capital after the fee reduction date. River IV, LP, Hiawassee River, LP, and River KO, LP are no longer investing. River V, LP, and Tellico River, LP, pay Management Fees equal to a percentage (2.00-2, 50%) of the committed capital; (ii) and a designated percentage of invested capital (1.75%-2.25%) after the fee reduction date. River Associates has waived management fees for the past few years, but River Associates has reserved the right to call the management fees at a later date.

With respect to River VI, LP and River VI Parallel, LP the Management Fee is equal to 2.00% of aggregate commitments, payable quarterly in advance. Commencing on the fee reduction date, the Management Fee will equal the product of 2% multiplied by the cost basis of investments held by the Fund. The Management Fee with respect to each calendar year of the Fund, will be reduced by an amount equal to 80% of all fees subject to offset paid in the immediately preceding calendar year that are in excess of \$4 million. With respect to each calendar year of the Fund, fees subject to offset include the aggregate amount of any: (i) directors’ fees, financial consulting fees, advisory fees or transaction fees paid by portfolio companies of the Fund to the general partner, the Special Limited Partner, River Associates or the principals in such year; and (ii) break-up fees paid to the general partner, the Special Limited Partner, the River Associates or the principals in such year with respect to proposed transactions by the Fund that are not completed. To the extent any fees subject to offset would reduce the Management Fee for a given year below zero, such credit against

the Management Fee will be carried forward and added to the fees subject to offset in future periods.

### **Carried Interest**

In addition, as described in further detail in Item 6 below, a general partner or special limited partner (as described in Item 10) of the private equity funds may be entitled to receive performance-based compensation (i.e., a carried interest) from the Funds (generally 20%) pursuant to the respective Fund's governing documents.

The carried interest is generally paid to the general partners or special limited partner when earned. The carried interest allocations with respect to River VI, LP are also subject to an 8% preferred return which each investor is entitled to receive prior to the Fund's general partner or special limited partner becoming entitled to receive its carried interest of 20%. Carried interest is generally paid out of proceeds the applicable Fund receives in respect of its portfolio investments, including interest and dividend payments and net proceeds from the sale of portfolio investments.

### **Expenses**

The expenses payable for the River Associate's Funds vary and are described in detail in each respective Fund's Governing Documents. It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other Governing Documents for a complete understanding of expenses.

The Funds pay a variety of expenses attributable to their ongoing activities and operations, including, but not limited to, the following costs and expenses related to the acquisition, ownership, and disposition of investments:

- brokerage fees and commissions;
- general research expenses;
- fees and charges incurred in connection with the maintenance of bank or custodian accounts;
- interest on margin accounts and other indebtedness;
- withholding and transfer fees;
- clearing and settlement charges;
- out-of-pocket expenses of transactions not consummated;
- taxes, fees and other applicable governmental charges;
- travel expenses;
- legal, accounting, audit and tax preparation expenses (including services that are performed and/or equipment that is used by a designee or agent of the respective general partner);
- reimbursements to the respective general partners or its affiliates for insurance premiums relating to Fund operations;
- private placement fees and finder's fees (though such expenses generally reduce the Management Fee otherwise payable to River Associates); and

- other similar expenses related to the Funds or any extraordinary expenses as the general partner determines in its sole discretion.

In accordance with the Fund Governing Documents, River Associates or the general partner may also bear the cost (through an offset against Management Fees or otherwise) of any organizational expenses in excess of the amount designated and any placement fees payable to any placement agent in connection with the formation of the Fund.

### **Other Fees**

River Associates does not participate in any wrap fee programs.

River Associates, the general partners or their members, employees, or other affiliates may receive certain transaction fees, advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments or proposed portfolio investments of the Funds as compensation for financial advisory and similar services provided to the Funds' portfolio companies. Such fees are detailed in the relevant Governing Documents of each Fund.

### **Allocation of Partnership Expenses**

Expenses pertaining directly to a Fund will be charged to that Fund. If any expenses are associated with two or more Funds, such expenses will typically be allocated according to the relative aggregate capital commitments of the applicable Funds. In circumstances where one or more co-investment vehicles invest alongside a Fund into a specific investment, direct costs pertaining to such investment will typically be allocated based on the relative share of invested capital in such investment of the Fund and the applicable co-investment vehicles.

### **Senior Advisors**

River Associates may hire non-Affiliated third party consultants throughout the Funds' investment processes, including Senior Advisors with relevant operating experience and industry-specific knowledge about certain transaction opportunities or portfolio companies. Senior Advisors may assist with a variety of activities, including market research, new investment identification, pre-investment business due diligence and post-investment value creation. Senior Advisors are not employees of River Associates.

Senior Advisors are typically paid a consulting fee by River Associates, which in some cases may be allocated to one or more portfolio companies. Consulting fees may vary depending upon a number of variables, including expertise and time commitment to the portfolio companies. From time-to-time, these individuals may also co-invest in transactions in which they are involved under the same terms and conditions as the applicable Fund. A Senior Advisor may take on a more active role, including, for example, serving on the board of directors or providing additional services directly to the portfolio company. In such



insistences, the Senior Advisor may receive direct compensation from the portfolio company under terms agreed to by the portfolio company and the Senior Advisor. Any such compensation will be in addition to and not offset the management or monitoring fees.

### **Negotiability of Fees**

The Management Fee is generally subject to waiver or reduction by River Associates in its sole discretion, including in connection with investments made by River Associates or its related persons.

### **Termination of Advisory Relationship**

Withdrawals of capital are generally not permitted. Investments in the Funds are generally long-term in nature with no ability to liquidate. Investors in the Funds are requested to refer to the limited partnership agreement of a Fund for information on investment restrictions. Appropriate treatment will be given to all Management Fees collected in advance. For example, upon the termination of an Investment Management Agreement, any unearned, pre-paid advisory fees will be refunded on a pro-rata basis.

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

### **Performance-Based Fees**

A general partner or special limited partner (as described in Item 10) of the private equity funds may be entitled to receive performance-based compensation (i.e., a carried interest) from the Funds. The recipients of such carried interest are affiliates of River Associates. The carried interest allocation will be made in conformity with Section 205 of the 1940 Act and Rule 205-3 thereunder. See each Fund's relevant limited partnership agreement for more detail. The performance-based compensation may create an incentive for River Associates to cause the Private Equity Funds to make investments which may be riskier or more speculative than those which would be made under a different compensation arrangement.

### **Side-by-Side Management**

River Associates manages multiple funds with similar investment strategies and overlapping investment periods, which could cause a potential conflict of interest related to allocation of investment opportunities between the Funds. Currently, Funds I through IV (including related parallel funds) are fully invested and therefore any potential issues related to investment allocations would be between Funds V and VI and their related parallel funds. Investment allocations between a core Fund and its related parallel Fund (e.g. River VI, LP and River VI Parallel, LP) are made on a pro rata basis in accordance with each Fund's capital commitment as specified in the Funds' limited partners agreements, and therefore River Associates believes that there are no potential investment allocation issues between any core Fund and its related parallel Fund. In limited circumstances certain of the private Funds that River Associates manages will invest in common portfolio companies.

## **Item 7 – Types of Clients**

River Associates provides investment advisory services to the private equity funds. Investment advice is provided directly to each Fund, subject to the direction and control of the general partner of the Fund, and not individually to the Investors of the Funds. The investors participating in the Funds may include individuals, banks, trust, charitable organizations, profit sharing plans, public and private institutional pension plans, endowments and foundations, and may include, directly or indirectly, principals or other employees of River Associates and its affiliates as disclosed in the Governing Documents.

As a purchaser of the limited partnership interests in a private placement not registered under the Securities Act of 1933 (the Securities Act), each purchaser will be required to represent that it is acquiring the limited partnership interests purchased by it for investment and not with a view to resale or distributions and that it is an accredited investor within the meaning of Regulation D of the Securities Act. Further, each purchaser must be prepared to bear the economic risk of the investment for an indefinite period, since the limited partnership interests cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is unlikely that the limited partnership interests will ever be registered under the Securities Act.

Minimum dollar values, if any, for creating a Fund are noted in the private placement memorandums. Any minimum investment commitments established for limited partners in the Funds are stated in each Fund's private placement memorandum. River Associates reserves the right to waive this minimum in its sole discretion.

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

### **Method of Analysis and Sources of Information**

The Funds will target investments in companies where River Associates believes there is a defensible niche and where River Associates can add value through operating experience working with small business management teams in such strategic areas as creating a capital structure that allows for growth, allocating capital between internal needs and acquisitions, finding and negotiating synergistic add-on acquisitions, recruiting and incentivizing key personnel, and in general being a sounding board and strategic planning advisor to the portfolio company management team. The Funds will generally make smaller investments than a typical lower middle market private equity fund. The Funds will primarily target control investments in lower middle market and -micro-cap companies engaged in value added service and distribution businesses and light manufacturing throughout the U.S. and Canada.

### **Material Risks**

Prospective investors should carefully consider the risk factors set forth in the private placement memorandums, certain of which are discussed below. In addition, more information about the risks can be reviewed in each private placement memorandum.

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

**Highly Competitive Market for Investment Opportunities:** There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable a Fund to invest all of its commitments in opportunities that satisfy the Fund's investment objectives or that such investment opportunities will lead to completed investments by the Fund. Identifying, structuring, implementing and realizing on attractive investments is highly competitive. A Fund will be competing for investments with other private equity investors, as well as companies, individuals, financial institutions and other institutional investors. Additional funds and other sources of investment capital with the same or similar investment objectives may be created in the future by other unrelated parties, which may compete with a Fund for investment opportunities. It is possible that such competition for appropriate investment opportunities may limit significantly the number of opportunities available to a Fund and/or adversely affect the terms upon which

investments can be made. There can be no assurance that a Fund will be successful in its efforts to identify and complete attractive investment opportunities, and it is possible that the Fund's Commitments will not be fully utilized if sufficient attractive investments are not identified and consummated by a Fund during its investment period.

**Illiquid Fund Investments:** A Fund's investment portfolio will consist primarily of investments in private companies. It is unlikely that there will be a readily available market for a Fund's investments. A Fund will generally not be able to sell its securities publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirement is available. It is highly speculative as to whether and when a portfolio company will be able to register its securities so that the securities become eligible for trading in public markets. In addition, in some cases, a Fund may be prohibited by contract or legal or regulatory reasons from selling securities for a period of time. There can be no assurance that a Fund will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Investors.

**Risk of Loss:** Investing in securities involves a substantial degree of risk. Investments in private equity funds and the underlying private equity securities in which they invest are highly speculative and involve a significant degree of risk. The investments may lose all or a substantial portion of their value and investors in a Fund must be prepared to bear the risk of loss of their investments. Further, there can be no assurance that a Funds' objectives will be realized or that there will be any return of capital. Prospective investors are cautioned not to rely on the prior returns and they should not be considered representative of the returns that may be received by an investor in the future. Accordingly, an investment in the Funds should only be considered by persons who can afford a loss of their entire investment.

**Leverage:** A Fund's investments may involve portfolio companies whose capital structures have significant leverage. These companies may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. Such investments will be inherently more sensitive to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry.

**Bridge Financings:** From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans will typically be convertible into a more permanent, long-term security; however, for reasons not always in a Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investment may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund.

**Need for Follow-on Investments:** A Fund may be called upon to provide follow-on funding for its portfolio companies or may have the opportunity to increase its investment in portfolio companies. There can be no assurance that a Fund will wish to make such follow-on investments or that a Fund will have sufficient capital to do so. A Fund's decision not to make a follow-on investment or its inability to do so may have an adverse impact on such portfolio company in need of such an investment or may diminish the Fund's proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of River Associates or the integrity of River Associates' management. River Associates and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## Item 10 – Other Financial Industry Activities and Affiliations

River Associates Investments, LLC acts as the investment adviser for several private funds including: River II, LP; River III, LP; River IV, LP; Hiawassee River, LP; River KO, LP; River V, LP; Tellico River, LP; and River VI, LP, and River VI Parallel, LP. For some of the funds, River Associates Investments, LLC serves as the general partner (“GP”) as well as the investment adviser. For those funds in which River Associates Investments, LLC does not also serve as the GP, an affiliated entity acts as GP as detailed in the table below. Further, some funds also include an affiliated special limited partner (“SLP”) as denoted by the table below. The SLP is entitled to receive carried interest as described in Item 6.

<b>Fund</b>	<b>Affiliated General Partner</b>	<b>Affiliated Special Limited Partner (SLP)</b>	<b>Notes</b>
River II, LP	River Associates, LLC	N/A	River Associates, LLC is Relying Adviser
River III, LP	River Associates, LLC	N/A	River Associates, LLC is Relying Adviser
River IV, LP	River Associates Investments, LLC	Santa Fe Holding IV, LLC	
Hiawassee River, LP	River Associates Investments, LLC	Santa Fe Holding IV, LLC	River IV Side-by-Side Fund
River KO, LP	River Associates Investments, LLC	Santa Fe Holding IV, LLC	River IV Side-by-Side Fund
River V, LP	River Associates Investments, LLC	SFCI, LLC	
Tellico River, LP	River Associates Investments, LLC	SFCI, LLC	River V Side-by-Side Fund
River VI, LP	River Associates VI, LLC	Santa Fe Holding VI, LP	
River VI Parallel, LP	River Associates VI, LLC	Santa Fe Holding VI, LP	River VI Side-by-Side Fund



River Associates is not a broker-dealer, commodity pool operator, commodity trading adviser or futures commission merchant and none of its management persons are associated representatives of a broker-dealer or such other regulated entities.

The Pantheon Total Fund, LP has an ownership interest in River Associates Investments, LLC and invests in River IV, LP through a parallel fund Hiawassee River, LP, River V, LP through a parallel fund Tellico River, LP and River VI, LP.

In addition, certain related persons of River Associates are general partners to River Associates Partners. However, River Associates Partners is not advised by or considered a client of River Associates. River Associates performs limited accounting services for River Associates Partners, but does not receive any management fee or carried interest from River Associates Partners.

Employees of River Associates and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the Funds invest, or provide other services to portfolio companies. The foregoing individuals may spend a substantial portion of their time with these Fund-related management activities. Employees may also from time to time serve on the board of directors of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the Funds invest and/or be subject to legal or contractual restrictions on their ability to effect transactions for the Funds. As a result, the Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or equity securities of certain portfolio companies, which prohibition may have an adverse effect on the Funds.

Certain related persons of serve as general partners and manage the Partners fund, a general partnership which is open, generally, only to employees and family members of. The Partners fund invests in two unaffiliated hedge funds.

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

River Associates has adopted a Code of Ethics (the “Code of Ethics”) which sets forth appropriate ethical standards of business conduct that requires of its employees, including compliance with its fiduciary duty and applicable federal and state securities laws. ' Code of Ethics permits its partners, officers and employees to trade in securities, subject to review and reporting of such transactions according to the firm’s policies. Fund investments involve private transactions, and not publicly traded securities. Nonetheless, personnel of may from time to time buy or sell, for their personal accounts, securities that may also be held, or have been purchased or sold, in the Funds. River Associates' Code of Ethics is designed to monitor and protect the interests of clients, and to prevent conflicts of interest or abuse of ' or its employee's position of trust.

River Associates' Code of Ethics includes required policies and procedures for the review of quarterly securities transaction reports as well as initial and annual securities holdings reports that must be submitted by River Associates' covered persons. Among other things, River Associates' Code of Ethics requires, by regulation, the prior approval of any purchase or sale of securities in a limited offering (e.g., private placement), an initial public offering or any security on the firm’s restricted list. Finally, River Associates' Code of Ethics also includes oversight monitoring, enforcement and recordkeeping provisions.

Access Persons of River Associates and other affiliates of River Associates may invest for their own accounts in the securities of any entity in which a Fund has made an investment only with the prior consent of the Advisory Board. Any potential conflict of interest will be submitted to the Advisory Board for its review.

River Associates or its affiliates may, by virtue of their private equity business, at times, become party to non-public information. A restricted list and/or watch list is maintained by River Associates and personnel’s personal trades are monitored to prevent and detect conflicts of interest and non-disclosure of non-public information.

A copy of River Associates' Code of Ethics is available to River Associates' Investors or the Funds upon request to the Chief Compliance Officer at River Associates' principal office address, or by contacting us at (423) 755-0888.

### **Principal and Agency Cross Transactions**

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account (or the account of an affiliated broker-dealer), buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. River Associates occasionally engages in principal transactions resulting from crossing securities between affiliated funds.

Further, due to the amount of River Associates' and related person or employee invested capital in some of the Funds, (if the investments equal 25% or greater of the fund's value) the Funds may be deemed to be "proprietary" and, accordingly, transactions with these Funds may be deemed technically to be a principal transaction.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. River Associates is neither registered as, nor is affiliated with, a broker-dealer.

### **Conflicts of Interest**

As described in Item 5 above, River Associates or its related persons may receive certain transaction fees, advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments of the Funds as compensation for financial advisory and similar services provided by them to the Funds' portfolio companies. Payment of such fees may create a conflict of interest.

While such fees may be used to offset by a portion of the management fees payable by the Funds, River Associates further mitigates this conflict of interest by negotiating such fees at arm's length with such portfolio company and generally seeking to ensure that such fees are, in the good faith opinion of River Associates, in accordance with prevailing market rates in the relevant industry.

## **Item 12 – Brokerage Practices**

### **Best Execution**

River Associates focuses on securities transactions of private companies and, generally, the purchases and sales of such companies are conducted through privately negotiated transactions. The services of a broker dealer may be retained in connection with the purchase or sale of such private companies. Should a private securities transaction become public, River Associates may also distribute securities to investors in the Funds or sell such securities, including using a broker-dealer for listed securities. River Associates recognizes that it has a duty to obtain “best execution” for any securities transactions made for the Funds. If in the future River Associates’ business involves direct trading with brokers or dealers, River Associates will adopt additional brokerage policies and procedures

### **Soft Dollars**

River Associates does not obtain third-party research services or products with commissions (“Soft Dollars”). As is customary in the industry, broker-dealers may provide their own proprietary research to investment advisers, including River Associates, such as economic studies and forecasts, statistics and pricing or appraisal services, and access to research analysts and company executives. In the event that River Associates adopts a policy whereby it agrees to engage in soft dollar arrangements, it expects to only do so within the parameters of Section 28(e) of the Securities Exchange Act of 1934 (the “Exchange Act”).

### **Trade Aggregation & Allocation**

Given the nature of River Associates’ Funds, trade aggregation is generally not applicable. In very limited circumstances certain of the private Funds that River Associates manages will invest in common portfolio companies. In the event that River Associates places a combined purchase or sale order for two or more affiliated Funds it manages, River Associates would make a good faith determination that such joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating River Associates affiliated Funds’ governing documents, and otherwise in the best interest of the participating Funds. River Associates’ policy is to ensure that investment opportunities are allocated fairly.

## **Item 13 – Review of Accounts**

### **Reviews**

River Associates closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position on the boards of the portfolio companies. The portfolio companies of each Fund are reviewed by the River Associates Deal Team assigned to that particular deal. Valuation, fees, cash and bank accounts are also reviewed as part of the annual audit by an independent accounting firm that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB"). Daily monitoring and reconciliation of accounts is performed to verify transactions, the receipt and disbursement of funds, and compliance with investment guidelines and restrictions.

### **Reports**

Each Investor will receive (i) audited annual financial statements including estimated valuations of portfolio investments, and an annual report and summary update of such investments, (ii) estimated valuations of portfolio investments as of the end of each fiscal quarter, and (iii) annual tax information necessary for completion of such partner's US federal income tax returns. Investors in the Funds are requested to refer to the relevant Fund's limited partnership agreement regarding reports they are to receive.

### **Valuation**

All portfolio Investments will be valued by River Associates in accordance with generally accepted accounting principles ("GAAP"). Formal valuations of a Fund's portfolio are made quarterly and are reported to each Investor. Valuations of investments are valued at "fair value" in accordance with GAAP. Investments (other than Open Market Securities) held less than one year are reported at the acquisition value, adjusted for significant changes in value from closing date. Each portfolio company will present their financial statements to River Associates, who reviews for reasonableness.

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

### **Economic Benefits Received from Third Parties**

River Associates and/or its related persons may receive certain customary fees from portfolio companies in connection with the purchase, monitoring or disposition of a Fund's investments or in connection with unconsummated transactions (e.g., directors' fees, closing fees, investment banking fees, consulting fees and advisory fees).

### **Third Party Compensation for Client Referrals**

River Associates and related entities have entered into cash compensation arrangements with unaffiliated placement agents or other third parties for introducing investors to River VI, LP. Any sales charge associated therewith will ultimately be payable by River Associates and/or its related entities, either directly or through an offset of the advisory fee payable by River VI, LP to River Associates. River Associates may in the future enter cash compensation arrangements with unaffiliated placement agents or other third parties for introducing investors to subsequent funds. An Investor will not be charged any additional amount or bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party.

## **Item 15 – Custody**

River Associates will not have physical custody of any client assets. River Associates may be deemed to have custody of the assets of the Funds as a result of its authority over the Funds. All of the Funds' assets, save for certain uncertificated securities purchased in private transactions, are held with a "qualified custodian," as defined in the applicable custody rules, which generally includes a bank or broker-dealer.. Investors will not receive statements from the custodian. Pursuant to the rule, River Associates has retained an independent accounting firm that is both registered with and subject to regular inspection by the PCAOB to conduct an annual audit of the Funds and the audited financial statements are distributed to each investor in the investment pool (or their independent representative) within 120 days of the fiscal year end of the investment pool.

## **Item 16 – Investment Discretion**

Any restrictions on investments in certain types of securities are established by the GP of the applicable Fund, and are set forth in the Governing Documents and subscription documents for the Fund.

As adviser to the Funds, River Associates is granted discretionary authority in the advisory agreement with the GPs of each fund to determine which securities and the amounts of securities that are bought or sold, as well as the brokers, dealers or counterparties to be used, and the associated commissions or other rates to be paid. Investors subscribe to the Fund through subscription documents which, together with the private placement memorandum, set forth any limitations and fund restrictions.



## **Item 17 – Voting Client Securities**

River Associates has adopted Proxy Voting Policies and Procedures. The SEC Rule generally requires advisers to (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to instruments in the Funds where River Associates exercises voting discretion are voted in the best interest of River Associates' Funds; (ii) to disclose how information may be obtained on how River Associates votes proxies; and (iii) to maintain records relating to River Associates' proxy voting.

River Associates is committed pursuant to SEC rule requirements and its fiduciary duty to vote private equity interests and other securities in a manner that best serves the interests of its clients. River Associates monitors the events related to each investment. River Associates' policy seeks to ensure that River Associates votes proxies or similar instruments in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies.

River Associates' interests are aligned with the Fund investors by virtue of its or its related person's ownership interests in the Funds. Accordingly, River Associates does not consider its service on portfolio company boards as a material conflict of interest in voting proxies regarding such companies.

River Associates has full discretion to vote proxies, and as such River Associates will not seek investor approval or direction when voting proxies. In the event there is a conflict of interest or potential conflict of interest between River Associates and the Funds in voting proxies, River Associates will seek the approval of the Fund's advisory board on the proposed proxy vote.

Investors may obtain a copy of Adviser's Proxy Voting Policies and Procedures and information on how proxies were voted in connection with a Fund, by contacting River Associates' Chief Compliance Officer at (423) 755-0888.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about River Associates' financial condition under certain conditions. River Associates has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.