

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

**KRG SUCCESSOR MANAGEMENT, LP**

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**March 30, 2016**

**This Form ADV Part 2A Brochure (“Brochure”) provides information about the qualifications and business practices of KRG Successor Management, LP (“KRG Successor”). If you have any questions about the contents of this Brochure, please contact us at 303.390.5001. 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.**

KRG Successor is a relying adviser to KRG Capital Management, L.P. (“KRG Capital”), which 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 KRG Successor and KRG Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **STATEMENT OF MATERIAL CHANGES**

KRG Successor Management, LP's Brochure dated March 30, 2016 contains material changes from the prior version dated March 31, 2015. The current version contains the following material changes from the prior version:

- Updated assets under management information in the **Advisory Business** section.

The Brochure contains other changes that KRG Successor Management, LP does not believe are material.

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## **ADVISORY BUSINESS**

KRG Successor Management, LP (“KRG Successor Management” or the “Adviser”), a Delaware limited partnership, is a private investment management firm that provides investment advisory services to private investment funds. KRG Successor is a relying adviser to KRG Capital Management, L.P. (“KRG Capital”) in reliance on SEC guidance, and operates as a single advisory business together with KRG Capital. Additional information regarding KRG Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). KRG Successor Management commenced operations in March 2015.

KRG Successor Management serves as the general partner of KRG Capital Fund V, LP and KRG Capital Fund V-A, LP (together with all parallel investment vehicles, “Fund V” or the “Fund”), all Delaware limited partnerships. In its capacity as the general partner of Fund V, KRG Successor Management has the authority to manage the business and affairs of Fund V, including making all investment decisions, in each case pursuant to Fund V’s limited partnership agreement (the “Partnership Agreement”). Fund V is a private equity fund and invests through negotiated transactions in operating entities generally referred to as “portfolio companies.” KRG Successor Management’s investment advisory services to Fund V consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, the Managing Directors, or other personnel of the Adviser may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which Fund V has invested.

KRG Successor Management’s advisory services are detailed in Fund V’s private placement memorandum and limited partnership agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Fund V participate in the overall investment program, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

From time to time, KRG Successor Management may provide (or agree to provide) certain investors or other persons, including affiliates of KRG Successor Management, certain KRG Capital personnel and/or certain other persons associated with KRG Capital and/or its affiliates (to the extent not prohibited by the Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside Fund V.

As of December 31, 2015, KRG Successor Management managed approximately \$151 million in client assets on a discretionary basis. KRG Capital Successor, LLC, a Delaware limited liability company, acts as the general partner of KRG Successor Management. KRG Successor Management is not controlled by any one investor owning more than 25% of the entity but is under common control with KRG Capital.

## **FEES AND COMPENSATION**

In general, KRG Successor Management receives a management fee and a carried interest in connection with advisory services. KRG Successor Management receives additional compensation in connection with management and other services performed for portfolio companies of Fund V and such additional compensation will offset in whole or in part the management fees otherwise payable to KRG Successor Management. Investors in Fund V also bear certain fund expenses.

### **Management Fees**

Fund V will pay KRG Successor Management, quarterly in advance, an annual management fee (the “Management Fee”) equal to a maximum of 2.0% of the capital commitments of any fund investor (subject to reduction over time and to potential reductions due to waivers and offsets under certain circumstances) commencing from the initial closing of Fund V (whether or not a fund investor was admitted at an initial or subsequent closing) and continuing until the expiration of Fund V’s partnership term. The Adviser may from time to time elect to receive a credit to its capital account in Fund V in lieu of actual payment of such management fee. Pursuant to the Partnership Agreement, such a credit is treated as a deemed capital contribution by KRG Successor Management, which is effectively invested in Fund V on KRG Successor Management’s behalf, and operates to reduce the amount of capital KRG Successor Management would otherwise be required to contribute to Fund V. In addition, one-hundred percent (100%) of all transaction fees, monitoring fees and break-up or similar fees paid to KRG Successor Management or its affiliates (“Offset Fees”) by, or that relate to, any portfolio company or any prospective portfolio company owned by Fund V will offset the Management Fee otherwise payable. Portfolio company-related fees may also include amounts prepaid in anticipation of future services or otherwise accelerated, which will be offset against the Management Fee to the extent set forth in the Partnership Agreement. Although such prepaid or accelerated fees generally will be based on the anticipated level and duration of services that the Adviser believes at the time of such prepayment or acceleration are likely to be provided to the portfolio company, over time, they may be greater or less than the amount that is ultimately incurred with respect to services ultimately provided to such portfolio company.

### **Carried Interest**

KRG Successor Management will receive a carried interest with respect to Fund V equal to 20% of all realized profits in excess of an 8% compound preferred return as more fully described in the Partnership Agreement. The carried interest distributed to KRG Successor Management is subject to a potential giveback at the end of Fund V’s partnership term if KRG Successor Management has received excess cumulative distributions and at certain interim intervals as provided by the Partnership Agreement.

### **Expenses**

Fund V bears certain expenses relating to the operations, activities and investments of Fund V to the extent not paid by portfolio companies or applied to reduce Offset Fees, all as more fully described in the Partnership Agreement. Such expenses include (i) legal, filing, accounting,

auditing, consulting, financing, broker, finder's, financing commitment fees, real estate title, appraisal costs, printing, custodian, depository, agent bank, transfer, registration and other similar fees and expenses, (ii) expenses incurred in connection with third-party valuations; (iii) expenses associated with Fund V's financial statements and other reports, tax returns, tax estimates and Schedule K-1s (including software, hardware and intangible costs incurred in the preparation of such materials and the costs of third-party administrators); provided that for the avoidance of doubt, such expenses shall not include any costs associated with KRG Successor Management's (or any of its affiliates') compliance with the Investment Advisers Act with respect to providing investment management services or advice generally and not specifically to Fund V; (iv) expenses of advisory board and annual meetings of Fund V's investors; (v) air travel, hotel and other transportation and lodging expenses; (vi) insurance (including directors and officers, errors and omissions liability and other insurance); and (vii) other expenses associated with the evaluation, investigation, analysis, negotiation, acquisition, structuring, organization, management, operation, holding, valuation, winding up, liquidation, dissolution and disposition of its investments (whether consummated or unconsummated), including follow-on investments and refinancings (including interest on borrowed money by or on behalf of Fund V); (viii) extraordinary expenses under GAAP (such as litigation, judgments, fines, damages, settlement payments and indemnification, if any); (ix) the Management Fee; (x) any taxes, fees or other governmental charges levied against Fund V; (xi) all costs and expenses of the foregoing description that are incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any alternative investment vehicles; (xii) costs in connection with limited partner transfers; and (xiii) the costs of dissolving or winding up Fund V. As is typical for private equity funds, Fund V will bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

Certain expenses of Fund V and expenses of the private investment funds sponsored by KRG Capital (the "KRG Predecessor Funds"), including insurance premiums for directors' and officers' liability insurance and annual meeting expenses of limited partners, are allocated among Fund V and the KRG Predecessor Funds at the discretion of KRG Capital. Such allocations consider a variety of factors including, for example, invested and committed capital of the funds in the case of liability insurance, and number of attendees in the case of annual meeting expenses.

### **Other Information**

KRG Successor Management and/or its affiliates may exempt certain investors in Fund V from payment of all or a portion of Management Fees and/or carried interest, including the Adviser and any other person designated by the Adviser. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by KRG Successor Management and/or its affiliates, or through other private investment vehicles that co-invest with Fund V.

Fund V generally invests 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 Fund V, and investors generally are not permitted to withdraw or redeem interests in Fund V.

Principals or other employees of KRG Successor Management may receive a portion of the Management Fee, carried interest or other compensation received by KRG Successor Management or its affiliates.

KRG Successor Management may permit certain investors to co-invest in portfolio companies alongside Fund V or any future private investment vehicle advised by KRG Successor Management (together with Fund V, the "Private Investment Funds"). If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by Fund V.

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

As described under "Fees and Compensation," KRG Successor Management receives a carried interest allocation on certain realized profits in Fund V, although it may waive carried interest with respect to certain investors as described under "Fees and Compensation."

#### **TYPES OF CLIENTS**

KRG Successor Management provides investment advice to Fund V, a partnership formed under domestic laws and operated as an exempt investment pool under the Investment Company Act of 1940, as amended. The investors in Fund V may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of KRG Successor Management and its affiliates. From time to time, investors in Fund V, affiliates of the Adviser, and/or other persons may co-invest side-by-side with Fund V in portfolio companies. Under certain circumstances, the Adviser may have discretion with respect to co-investment acquisitions or dispositions. Co-investors do not pay a fee for services or a carried interest to the Adviser.

Fund V has a minimum investment amount of \$5 million for third-party investors, and interests are offered and sold solely to qualified purchasers, accredited investors who are also qualified clients or qualified knowledgeable KRG Successor Management personnel. Such minimum investment amount may be waived by KRG Successor Management in its capacity as general partner or managing partner of Fund V.

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

##### **General**

KRG Successor Management is a private equity investment firm specializing in acquiring controlling interests in middle-market companies and growing them into significantly larger enterprises through the combination of internal growth and selective strategic add-on acquisitions. *There can be no assurance that KRG Successor Management will achieve the investment objectives of Fund V or any other Private Investment Fund and a loss of investment is possible.*

## **Investment and Operating Strategy**

KRG Successor Management's investment strategies are focused primarily on buy-and-build investment opportunities. It is expected that Fund V will focus on investments in middle-market companies primarily within the specialty distribution, marketing services, specialty manufacturing and business services industries.

KRG Successor Management seeks to identify attractive platform companies in these sectors for investment by Fund V. After an initial investment in a platform company, the Adviser generally will seek to participate with management of the company to formulate a growth and acquisition strategy. The Adviser will often seek management rights in connection with its investments, including board or observer rights.

Investment opportunities for Fund V are captured in a continuously updated database, and discussed each week in regularly scheduled meetings of all KRG Successor Management investment professionals. Weekly meetings create a forum for preliminary evaluation of every potential platform company investment opportunity, encouraging early strategic discussion about investment risks and merits inherent in each opportunity and facilitating the prioritization of opportunities to ensure that resources are directed to the highest potential opportunities. All potential investments that are judged to meet the Adviser's stated investment objectives for Fund V are then subject to a due diligence review. In connection with an investment opportunity, the Adviser assembles a due diligence team, which includes two Managing Directors and a group of external specialists in areas such as environmental, insurance, accounting, legal and employee benefits. Investments are subject to final approval by the Investment Committee based on an internally prepared memorandum that details, among other factors:

- projected return on the investment,
- industry attractiveness review,
- competitive review of industry,
- valuation of company,
- management team depth and experience assessment,
- type of security offered, and
- deal sponsor incentives.

The Adviser may also receive information regarding investment opportunities from financial services companies or intermediaries, including companies and individuals affiliated with the Adviser.



## **Risks of Investment**

Fund V's investors bear the risk of loss that KRG Successor Management's investment strategy entails. The risks involved with KRG Successor Management's investment strategy and an investment in Fund V include, but are not limited to:

### *Business Risks*

Because Fund V's investments primarily consist of securities issued by privately-held, unseasoned companies, operating results will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

### *Leveraged Investments*

Fund V's portfolio companies may be highly leveraged. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of Fund V's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which recently have been at or near historic lows) and could accelerate and magnify declines in the value of the 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, Fund V may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of Fund V. Furthermore, the companies in which Fund V invests generally will not be rated by a credit rating agency. Fund V may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by Fund V also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments.

### *Investment Performance*

The performance of KRG Successor Management's prior investments is not necessarily indicative of Fund V's future results. While KRG Successor Management expects that Fund V will make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. With respect to Fund V's unrealized investments, no assurance can be given as to the actual values that may ultimately be realized in any transaction, if and when effected.

### *Investment in Junior Securities*

The securities in which Fund V will 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 an investment.

### *Concentration of Investments*

Fund V will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, Fund V's investment portfolio could become highly concentrated and its aggregate return may be

affected substantially by the performance of a few holdings. Furthermore, to the extent that the capital raised is less than the targeted amount, Fund V may invest in fewer portfolio companies and thus be less diversified. Additionally, Fund V's diversification limitations are intended to operate with respect to the targeted commitment amount, therefore such limitations will not be applicable until the end of the subscription period. Prior to the final closing date, therefore, most or all of Fund V's capital may be concentrated in as few as one portfolio company.

#### *Dynamic Investment Strategy*

While KRG Successor Management generally intends to seek attractive returns for Fund V through the investment strategy and methods described herein, KRG Successor Management may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Partnership Agreement. KRG Successor Management may pursue investments outside of the industries and sectors in which it has previously made investments or has internal operational experience.

#### *Lack of Sufficient Investment Opportunities*

It is possible that Fund V will never be fully invested if enough attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will generally be required to bear Management Fees at certain times throughout the life of Fund V based on the entire amount of limited partners' capital commitments and other expenses as set forth in the Partnership Agreement.

#### *Illiquidity; Lack of Current Distributions*

An investment in Fund V should be viewed as illiquid. It is uncertain 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, KRG Successor Management generally does not expect the sale of an investment to occur until a number of years after that investment is made. Typically, there will be no return on any investment prior to a sale of that investment. Furthermore, the expenses of operating Fund V (including the Management Fee) may exceed Fund V's income, in which case expenses will be paid from capital to the extent of any excess.

#### *Limited Transferability of Partnership Interests*

There will be no public market for Fund V interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund V interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund V interests are not permitted. There is currently no efficient market for limited partner interests in Fund V and it is not expected that one will develop.

#### *Restricted Nature of Investment Positions*

There will be no readily available market for a substantial number of Fund V's investments, and hence most of Fund V's investments will be difficult to value. Certain investments may be distributed in kind to the investors of Fund V 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 KRG Successor Management with respect to such investment.

#### *Reliance on KRG Successor Management and Portfolio Company Management*

Control over the operations of Fund V will be vested entirely in KRG Successor Management, and Fund V's future profitability will depend largely on the business and investment acumen of the Managing Directors of KRG Successor Management. Investors in Fund V generally have no right or power to take part in the management of the Fund, and as a result the investment performance of Fund V will depend entirely on the actions of KRG Successor Management. Although KRG Successor Management will monitor the performance of each of Fund V's investments, the primary responsibility for the day-to-day management and operations of each portfolio company will rest with each portfolio company's management team. Although KRG Successor Management intends to invest in companies with strong management, there can be no assurance that the management of Fund V's portfolio companies will operate these companies successfully.

#### *Director Liability*

Fund V will typically receive the right to appoint representatives to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the fund's representatives, and ultimately Fund V, to potential liability. Although portfolio companies generally have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

#### *Projections*

Projected operating results of a company in which Fund V invests normally will be based primarily on financial projections prepared by such company's management. In all cases, projections are only estimates of future results that are based upon information received from the company or 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 impact on the reliability of projections.

#### *Foreign Investments*

Subject to certain limitations, Fund V may invest in companies that are based and operate outside of the United States. Investments in foreign securities involve certain risks not typically associated with investing in United States securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various foreign currencies in which the fund's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another, (b) differences between the United States and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure

requirements and less government supervision and regulation, (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation and (d) the possible imposition of foreign taxes on income and gains recognized with respect to such securities.

#### *Availability of Debt Financing*

The debt markets have experienced significant volatility, resulting at times in less available total leverage and more restrictive and expensive financing terms and conditions. While credit availability loosens and tightens during various times in a business cycle, KRG Successor Management expects this volatility could continue into the future, and cannot predict how it will impact the performance of investments in Fund V.

#### *Risks Associated with Future Acquisitions*

As part of Fund V's buy and build strategy, the Fund's platform companies will seek add-on acquisitions that enable them to expand their existing product lines or services, broaden their geographic coverage and/or allow them to offer complementary products or services. There can be no assurance that the companies in Fund V's portfolio will be able to acquire businesses on satisfactory terms or that any business acquired by a platform company will be integrated successfully into that company's operations or be able to operate profitably. Future acquisitions could require additional financing, which could result in an increase in a platform company's indebtedness.

#### *Significant Default Penalties*

The Fund V Partnership Agreement contains significant penalties in the event a limited partner defaults on its capital commitment or other payment obligations. For example, the defaulting limited partner may be required, among other things, to forfeit a substantial portion of its capital account and rights to future profits (but not losses) that otherwise would have been allocable to the limited partner and/or KRG Successor Management may designate a person or entity to assume the entire unpaid balance of the defaulting limited partner's capital commitment and to succeed to all of the rights of the defaulting limited partner's interest. In addition, KRG Successor Management may take other actions provided in Fund V's Partnership Agreement and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting limited partner.

#### *Indemnification*

KRG Successor Management and certain related persons are entitled to indemnification from Fund V, except under certain limited circumstances. Any money paid to KRG Successor Management or certain related persons will reduce amounts that would otherwise be payable to the limited partners.

#### *Imposition of Tax Regardless of Cash Distributions*

Partners will be required to recognize for income tax purposes their pro rata share of the taxable net income of Fund V whether or not the partners receive distributions from the Fund to cover such tax liabilities. KRG Successor Management may distribute amounts sufficient to cover the partners' income tax obligations related to the Fund to the extent of available cash, but there is no assurance that KRG Successor Management will be able to do so. The Fund may generate

taxable income for a partner even though the value of the partner's interest in the Fund has declined.

#### *Uncertain Economic 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 Fund V 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 Fund V and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon Fund V's portfolio companies.

#### *Conflicts among Limited Partners*

An investment in Fund V may involve complex tax, structural and other considerations that may differ for individual investors. Furthermore, it is possible that individual investors may have conflicting interests with regard to the nature of investments made by Fund V and the structuring and realization of such investments. In selecting and structuring investments and divestments of Fund V, consideration will be given to the interests of Fund V rather than the interests of any particular investor.

#### *Material Non-Public Information*

As a result of the operations of KRG Capital and KRG Successor Management and their affiliates, KRG Successor Management comes into possession of confidential or material non-public information. Therefore, KRG Successor Management and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by Fund V. Consequently, Fund V may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or internal policies. Due to these restrictions, Fund V may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

#### **Conflicts of Interest**

KRG Successor Management and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of Fund V, and providing transaction-related, investment advisory, legal, management and other services to Fund V and its portfolio companies. In the ordinary course of KRG Successor Management conducting its activities, the interests of Fund V may conflict with the interests of KRG Successor Management, one or more other Private Investment Funds, or KRG Capital, including the KRG Predecessor Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the commitment period of Fund V, all appropriate investment opportunities will be pursued by KRG Successor Management principals through Fund V, subject to certain limited exceptions, including the possibility that investment opportunities may be pursued by certain KRG Successor Management principals through the KRG Predecessor Funds or Private Investment Funds. Without limitation, KRG Successor Management principals currently manage several similar investments in the investment funds managed by KRG Capital, and may direct certain relevant investment opportunities to a particular fund. KRG Successor Management's principals and KRG Successor Management's investment staff will continue to manage and monitor such investments in the KRG Predecessor Funds until their realization. Such other investments that KRG Capital principals may control or manage in those investment funds may potentially compete with companies acquired by Fund V. Following the expiration of the commitment period of Fund V, KRG Successor Management principals may and likely will focus their investment activities on other opportunities and areas unrelated to Fund V's investments.

From time to time, KRG Successor Management will be presented with investment opportunities that would be suitable not only for Fund V, but also for other Private Investment Funds or other investment vehicles operated by advisory affiliates of KRG Successor Management, including the KRG Predecessor Funds. In determining which investment vehicles should participate in such investment opportunities, KRG Successor Management and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. KRG Successor Management attempts to resolve such conflicts of interest in light of its obligations to investors in Fund V and the obligations owed by KRG Successor Management's advisory affiliates to investors in the KRG Successor Funds and other investment vehicles managed by them, and attempts to allocate investment opportunities among Fund V, other Private Investment Funds, the KRG Successor Funds and such investment vehicles in a fair and equitable manner. Where necessary, KRG Successor Management consults and receives consent to conflicts from an advisory committee consisting of limited partners of the respective KRG Funds.

As a result of Fund V's controlling interests in portfolio companies, KRG Successor Management and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to KRG Successor Management and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by Fund V to KRG Successor Management, but are also generally subject to offsetting Management Fees otherwise payable by Fund V to KRG Successor Management as discussed in Fees and Compensation above.

Additionally, a portfolio company typically will reimburse KRG Successor Management or service providers retained at KRG Successor Management's discretion for expenses (including without limitation travel expenses) incurred by KRG Successor Management or such service providers in connection with its performance of services for such portfolio company. This subjects KRG Successor Management and its affiliates to conflicts of interest because Fund V generally does not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. KRG Successor Management determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in Fund V, their effect will be reflected in Fund V's audited financial statements, and any fee paid or

expense reimbursed to KRG Successor Management or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

KRG Successor Management generally exercises its discretion to recommend to Fund V or to a portfolio company thereof that it contract for services with (i) KRG Successor Management or a related person of KRG Successor Management (which may include a portfolio company of Fund V) or (ii) an entity with which KRG Successor Management or its affiliates or current or former members of their personnel has a relationship or from which KRG Successor Management or its affiliates or their personnel otherwise derives financial or other benefit. This subjects KRG Successor Management to conflicts of interest, because although KRG Successor Management selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of Fund V, KRG Successor Management may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that KRG Successor Management, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not KRG Successor Management has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. In addition, KRG Successor Management may recommend and retain service providers for Fund V but not other Private Investment Funds.

KRG Successor Management and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by Fund V, other Private Investment Funds or other private investment vehicles managed by KRG Successor Management's affiliates; conversely, former personnel or executives of KRG Successor Management and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by KRG Successor Management. Similarly, KRG Successor Management, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Fund V or the Private Investment Funds, KRG Successor Management and/or its affiliates or other investment vehicles they advise. KRG Successor Management may have a conflict of interest with Fund V in recommending the retention or continuation of a third-party service provider to the Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in Fund V or one or more Private Investment Funds, will provide KRG Successor Management information about markets and industries in which KRG Successor Management operates (or is contemplating operations) or will provide other services that are beneficial to KRG Successor Management. KRG Successor Management may have a conflict of interest in making such recommendations, in that KRG Successor Management has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for Fund V, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Fund.

KRG Successor Management, its affiliates, and equityholders, officers, principals and employees of KRG Successor Management and its affiliates may buy or sell securities or other instruments that KRG Successor Management has recommended to Fund V or other Private Investment Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Fund V or other Private Investment Fund. Such transactions are subject to the policies and procedures set forth in KRG Successor Management's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund.

Because certain expenses are paid for by Fund V and/or its portfolio companies or, if incurred by KRG Successor Management, are reimbursed by Fund V and/or its portfolio companies, KRG Successor Management may not necessarily seek out the lowest cost options when incurring (or causing Fund V or its portfolio companies to incur) such expenses.

Because KRG Successor Management's carried interest is based on a percentage of net realized profits, it may create an incentive for KRG Successor Management to cause a Private Investment Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Private Investment Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Private Investment Fund, based upon capital invested by such Private Investment Fund, this fee structure may create an incentive to deploy capital when KRG Successor Management may not otherwise have done so.

Any of these situations subjects KRG Successor Management and/or its affiliates to potential conflicts of interest. KRG Successor Management attempts to resolve such conflicts of interest in light of its obligations to investors in Fund V and the obligations owed by KRG Successor Management's advisory affiliates to investors in investment vehicles managed by them, including the KRG Predecessor Funds, and attempts to allocate investment opportunities among Fund V, KRG Predecessor Funds and such other investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, KRG Successor Management will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, KRG Successor Management consults and receives consent to conflicts from an advisory committee consisting of limited partners of Fund V and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

KRG Successor Management 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**

KRG Successor Management is affiliated with other KRG Capital investment advisers registered with the SEC under the Advisers Act pursuant to KRG Capital's registration in accordance with SEC guidance. KRG Capital and KRG Successor Management operate as a single advisory business and serve as managers or general partners of funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons



occupying similar positions. The business practices of KRG Capital are described in a separate brochure.

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

KRG Successor Management has adopted KRG Capital's Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of each adviser's principals and employees and addresses conflicts that arise from personal trading. The Code requires certain personnel of each adviser to report their personal securities transactions, and prohibits such personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or in a limited offering without first obtaining approval from KRG Capital's Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to KRG Capital's Chief Compliance Officer, at (303) 390-5001. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

KRG Capital, KRG Successor Management and each of their affiliated persons (the "KRG 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 KRG 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 either adviser.

Accordingly, should KRG Persons come into possession of material nonpublic or other confidential information with respect to any public company, such persons would be prohibited from communicating such information to clients, and neither KRG Capital or KRG Successor Management will have any responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the KRG Persons serving as directors of public companies and may restrict trading on behalf of clients, including Fund V.

Pursuant to the Partnership Agreement, the Adviser generally must obtain the prior approval of an advisory committee consisting of representatives of certain investors in Fund V for any purchase, sale or transfer of securities between Fund V, on the one hand, and the Adviser or a related person, on the other hand, subject to certain exceptions.

From time to time, and in KRG Successor Management's sole discretion, affiliates of the Adviser and/or other persons may co-invest side-by-side with Fund V in portfolio companies to the extent not prohibited by the Partnership Agreement. Co-investment opportunities for investors generally arise when KRG Successor Management has determined that (i) Fund V's allocation to a portfolio company has been fully met under the fund's investment guidelines, (ii) the Adviser has determined that the amount available for investment in a portfolio company exceeds a prudent allocation to Fund V and/or (iii) the Adviser determines that an allocation to an investor or third party would provide a strategic benefit with respect to a portfolio company and, accordingly, to

Fund V's ownership interest in the portfolio company. In determining which investors will be eligible for co-invest opportunities, the Adviser may consider a variety of factors, including (i) the ability of the investor to provide strategic benefits to a portfolio company (such as specific industry or operational knowledge and/or expertise and access to additional financing), which are expected to benefit Fund V's ownership interest in a portfolio company, (ii) the investor's ability to evaluate and consummate a transaction on the timeline of Fund V and (iii) the size of an investor's commitment to Fund V.

KRG Successor Management and its 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 KRG Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, Fund V, even though their investment objectives may be the same or similar.

From time to time, KRG Successor Management may borrow funds on behalf of Fund V and contribute such borrowed amounts to Fund V as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by Fund V as an expense of the partnership, consistent with the Partnership Agreement and the expense policy described under "Fees and Compensation." In borrowing on behalf of Fund V, KRG Successor Management is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of Fund V. KRG Successor Management will transact such borrowings in a manner it believes to be fair and equitable to Fund V, and consistent with KRG Successor Management's obligations to the fund and compliance with the Partnership Agreement (or other governing document).

#### **BROKERAGE PRACTICES**

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

If KRG Successor Management sells publicly traded securities for Fund V, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by KRG Successor Management. In such event, KRG Successor Management will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, KRG Successor Management may consider a variety of factors, including: (i) the commission charged (taking into consideration the size of the order and the price of the security), (ii) the broker-dealer's execution capabilities with respect to the security and (iii) the broker-dealer's general reputation and ability to execute an order in appropriate time frame (i.e., the overall responsiveness of the broker-dealer).

KRG Successor Management has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or

to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although KRG Successor Management generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with KRG Successor Management seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although KRG Successor Management generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the private investment funds advised by KRG Successor Management and KRG Capital. However, each and every research service may not be used for the benefit of each and every private investment fund managed by KRG Successor Management and KRG Capital, and brokerage commissions paid by one private investment fund may apply towards payment for research services that might not be used in the service of such private investment fund. Research services may be shared between KRG Successor Management, KRG Capital and each of their respective affiliates.

KRG Successor Management will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, KRG Successor Management may, in its discretion, cause Fund V to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where KRG Successor Management has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, KRG Successor Management would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

KRG Successor Management will periodically determine which brokers have provided research that has been helpful in the management Fund V. To the extent consistent with KRG Successor Management’s goal to obtain best execution for their clients, KRG Successor Management may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

KRG Successor Management does not anticipate engaging in significant public securities transactions; however, to the extent that KRG Successor Management engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. From time to time, KRG Successor Management may, but is 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.

In KRG Successor Management's private company securities transactions on behalf of Fund V, KRG Successor Management may retain one or more broker-dealers or investment banks, the costs of which will be borne by Fund V and/or its portfolio companies. In determining to retain such parties, KRG Successor Management 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 KRG Successor Management generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and Fund V may not pay the lowest commission or fee for such services.

### **REVIEW OF ACCOUNTS**

The investments made by Fund V 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, KRG Successor Management closely monitors companies in which Fund V invests and generally maintains an ongoing oversight position in such companies. From time to time, Managing Directors or other personnel of KRG Successor Management may serve on a portfolio company's board of directors or otherwise act to influence management of companies held by Fund V. In addition, the Investment Committee, composed primarily of senior officers of the Adviser, monitors and reviews investments of Fund V on at least a quarterly basis. KRG Capital's Chief Compliance Officer also periodically checks to confirm that each private investment fund is maintained in accordance with its stated objectives.

Fund V will provide the following written reports to its limited partners: (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) periodic reports providing a narrative summary of the status of each portfolio company investment.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

KRG Successor Management and/or its affiliates may provide certain business or consulting services to companies in Fund V's portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by Fund V. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

KRG Successor Management has entered into a solicitation arrangement pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in Fund V. Fees and expenses payable to such placement agent are borne by KRG Successor Management indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by Fund V. KRG Successor Management currently has retained Credit Suisse Securities (USA) LLC, a registered broker-dealer, to solicit commitments from investors in exchange for a commitment fee,

based on a tiered structure, ranging from 1.5% to 2.25% of commitments, subject to certain exclusions and carve-outs, in addition to the reimbursement of certain expenses.

### **CUSTODY**

KRG Successor Management is deemed under federal securities laws to have custody of Fund V's assets. All cash and cash equivalents are maintained in each of the fund's names with U.S. Bank National Association, a qualified custodian. Additionally, Fund V will be audited annually by an accounting firm accredited by the Public Company Accounting Oversight Board, and audited GAAP financial statements are expected to be delivered to investors in Fund V within 120 days of the fiscal year-end.

### **INVESTMENT DISCRETION**

KRG Successor Management has discretionary authority to manage investments on behalf of Fund V. As a general policy, KRG Successor Management does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, KRG Successor Management may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in Fund V 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. KRG Successor Management assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of Fund V.

### **VOTING CLIENT SECURITIES**

KRG Successor Management has adopted KRG Capital's Proxy Voting Policies and Procedures (the "Proxy Policy") to address how it will vote proxies, as applicable, for Fund V's portfolio investments. The Proxy Policy seeks to ensure that KRG Successor Management votes proxies (or similar instruments) in the best interest of Fund V, including where there may be material conflicts of interest in voting proxies. KRG Successor Management generally believes its interests are aligned with those of Fund V's investors through the principals' beneficial ownership interests in Fund V 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 KRG Successor Management may address the conflict using several alternatives, including by seeking the approval or concurrence of Fund V's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, Fund V's advisory board may approve KRG Successor Management's vote in a particular solicitation. KRG Successor Management does not consider service on portfolio company boards by KRG Successor Management personnel or KRG Successor Management's 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 KRG Successor Management when voting proxies on behalf of Fund V. If you would like a copy of KRG Capital's complete Proxy Policy or information regarding how KRG Successor

Management voted proxies for particular portfolio companies, please contact KRG Capital's Chief Compliance Officer, at (303) 390-5001 and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

KRG Successor Management 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.