

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

**ABRY PARTNERS, LLC**

**888 Boylston Street  
Suite 1600  
Boston, MA 02199  
[www.abry.com](http://www.abry.com)**

**November 30, 2018**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of ABRY Partners, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (617) 859-2959. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

### **MATERIAL CHANGES**

The Management Company filed its most recent update to Form ADV Part 2 on July 26, 2018. This Brochure has been revised to further update the description of ABRY's (as defined below) advisory business.

Recipients of this Brochure are encouraged to read the Brochure in its entirety.

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## ADVISORY BUSINESS

ABRY Partners, LLC (the “**Management Company**”), a Delaware limited liability company and a registered investment adviser, and its affiliates (collectively, “**ABRY**”) provide investment advisory services to private investment funds. The Management Company and certain of its affiliates commenced operations in 1989.

The following investment advisers are affiliated with the Management Company: ABRY Capital Partners, L.P.; ABRY V Capital Partners, L.P.; ABRY VI Capital Partners, L.P.; ABRY Mezzanine Investors, L.P.; ABRY Senior Equity Investors II, L.P.; ABRY Senior Equity Investors III, L.P.; ABRY ASF Investors, L.P.; ABRY ASF Investors II, L.P.; ABRY Investment GP, LLC; ABRY Senior Equity Co-Investment GP, LLC; and ABRY Senior Equity Co-Investment GP III, LLC (each a “**General Partner**” and together with the Management Company, the “**Advisers**”).

Each General Partner is subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Management Company and each General Partner, which operate as a single advisory business.

The Management Company is also affiliated with: ABRY Partners II, LLC (“**ABRY Partners II**”) whose employees provide services to ABRY Partners VII Co-Investment GP, LLC; ABRY VII Capital Partners, L.P.; ABRY Partners VIII Co-Investment GP, LLC; ABRY VIII Capital Partners, L.P.; ABRY IX Capital Partners, L.P.; ABRY Senior Equity Investors IV, L.P.; ABRY Senior Equity Co-Investment GP IV, LLC; ABRY ASF Investors III, L.P.; ABRY ASF Investors IV, L.P.; ABRY Heritage Capital Partners, L.P.; ABRY Heritage Partners Co-Investment GP, LLC; ABRY Senior Equity Investors V, L.P.; and ABRY Senior Equity Co-Investment GP V, LLC (each, an “**ABRY II Adviser**”). ABRY Partners II is a separately registered investment adviser and management company and each of the other ABRY II Advisers is subject to the Advisers Act pursuant to ABRY Partners II’s registration in accordance with SEC guidance.

The Advisers’ clients include the private investment funds listed below (each, a “**Fund**,” and together with any other current or future private investment funds to which the Management Company or its affiliates provide investment advisory services, including Co-Investment Funds (as defined below) and alternative investment vehicles, the “**Private Investment Funds**”).

### Equity Funds

- ABRY Partners IV, L.P.
- ABRY IV Investments, Ltd.
- ABRY Partners V, L.P.
- ABRY Partners V Affiliated Investors, L.P.
- ABRY Partners VI, L.P.

### Senior Equity Funds

- ABRY Mezzanine Partners, L.P.
- ABRY Senior Equity II, L.P.
- ABRY Senior Equity II-A, L.P.
- ABRY Senior Equity III, L.P.

### Senior Debt Funds

- ABRY Advanced Securities Fund, L.P.
- ABRY Advanced Securities Investments, L.P.
- ABRY Advanced Securities Fund II, L.P.

### Co-Investment Funds (“Co-Investment Funds”)

- ABRY Investment Partnership, L.P.
- ABRY Senior Equity Co-Investment Fund, L.P.
- ABRY Senior Equity Co-Investment Fund III, L.P.

Pursuant to each Fund’s agreement of limited partnership (or equivalent governing document, in the case of ABRY IV Investments, Ltd.) (each, a “**Partnership Agreement**”), the applicable General Partner (or board of directors) has the authority to manage the business and affairs of the Funds. Each General Partner (or board of directors) has delegated, subject to its oversight, day-to-day responsibility for the management and operations of the applicable Fund to the Management Company pursuant to management agreements between the General Partners and the Management Company (each, a “**Management Agreement**”). Pursuant to a management agreement between the Management Company and ABRY Partners II, ABRY Partners II provides certain advisory services to the Management Company.

Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The investment advisory services provided to the Funds by the Advisers consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. The Equity Funds and the Senior Equity Funds are private equity funds and invest through negotiated transactions in operating entities. The Senior Debt Funds are private funds that make investments primarily in senior debt securities generally employing total return swaps (“TRS”) entered into with unaffiliated counterparties to obtain exposure to such debt securities in lieu of the applicable Senior Debt Fund holding such securities directly. Except for the Senior Debt Funds, each Fund invests predominantly in non-public companies, although each Fund may invest in public companies, subject to certain limitations set forth in such Fund’s Partnership Agreement. The Equity Funds generally seek to take a controlling position when investing in a portfolio company, and generally at least one principal (a “**Principal**”) or other ABRY investment professional serves on a portfolio company’s board of directors in order to represent the applicable Fund’s interests in the portfolio company. The Senior Equity Funds typically do

not take controlling positions in portfolio companies but seek to place at least one ABRY Principal or other ABRY professional on the portfolio company's board.

The Advisers' advisory services to the Funds are detailed in the applicable private placement memoranda, the Management Agreements and the Partnership Agreements (collectively, the "**Fund Documents**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors (references to "limited partners" and "investors" are intended to be interchangeable and include investors that participate in Private Investment Funds that are not limited partnerships) in Private Investment Funds participate in such Fund's overall investment program, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. Each Fund or its General Partner may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, altering or supplementing the Partnership Agreement or the investor's subscription agreement, including providing informational rights, addressing regulatory matters with respect to such investors, effectively excusing such investors from participating in certain types of investments, varying economic terms or fee structures, providing transfer rights and offering co-investment-related provisions.

Certain of the Advisers serve as an investment manager to Co-Investment Funds structured to facilitate investments by affiliated co-investors alongside the primary Funds on a fixed pro-rata basis with the commitments to such vehicles generally being variable on an annual basis. To the extent that a particular investment opportunity, in the Advisers' sole discretion, exceeds the desired allocation to a Fund in the aggregate in view of investment size, type, available capital, diversification, location, holding period and other relevant considerations, the Advisers may offer additional co-investment opportunities to other persons or firms who the Advisers or their affiliates believe will be of benefit to the Funds. The Advisers may also organize one or more co-investment funds to co-invest alongside the Funds to facilitate personal investments by such persons or firms and by partners, officers and employees and their related parties and associates of the Advisers or of control entities, including the Co-Investment Funds. The Advisers may also facilitate co-investments directly into a portfolio company. Co-Investment Funds typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the Private Investment Fund making the investment. The Advisers and their affiliates may elect not to charge a management fee to or receive carried interest from such Co-Investment Funds. While the Advisers and any of their affiliates may charge carried interest, management and other fees to any co-investors, including the Co-Investment Funds, the Co-Investment Funds generally do not pay management fees or carried interest.

In addition to the foregoing, the Advisers serve as the investment managers to a number of special purpose vehicles through which several Funds have invested. The Advisers generally form special purpose vehicles to facilitate portfolio investments by Funds for tax, regulatory, or economic purposes. The Adviser that acts as the investment manager to a particular special purpose vehicle is determined on the basis of the Fund that invests through such special purpose vehicle. In addition, the Advisers, either directly or indirectly through a special purpose vehicle, may engage in TRS which allow the Senior Debt Funds to derive the economic benefit of owning an asset without retaining legal ownership of such asset. Finally, in connection with

certain investments, the Advisers may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates.

As of December 31, 2017, the Management Company had approximately \$1,650,241,251 in client assets under management. The Management Company's ultimate principal owner is Royce Yudkoff.

## **FEES AND COMPENSATION**

In general, the applicable General Partner receives a management fee (the “**Management Fee**”) and pays over such Management Fee to the Management Company pursuant to the applicable Management Agreement and the applicable General Partner receives a carried interest in connection with advisory services provided to each Private Investment Fund. For each Private Investment Fund, the carried interest distributed to a General Partner is generally subject to a potential giveback at the end of the Fund's life if the General Partner has received excess cumulative distributions. The Co-Investment Funds generally do not pay a Management Fee or carried interest. The Management Company or other ABRY entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Private Investment Funds, and the Funds' pro rata share of such additional compensation is generally offset in whole against the Management Fees otherwise payable to the Management Company. Fee structures are negotiated on a vehicle-by-vehicle basis so Investors should review the applicable Fund's Partnership Agreement for details regarding the fee structures summarized below. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the applicable Partnership Agreement.

### **Management Fees**

#### Equity Funds

During an Equity Fund's active investment period, an Equity Fund generally pays a Management Fee equal to 2.0% on an annual basis of aggregate investor capital commitments (“**Commitments**”). After the active investment period expires (or upon the occurrence of certain other events set forth in such Fund's Partnership Agreement), an Equity Fund's Management Fee is typically reduced to an amount equal to 2.0% of funded Commitments in respect of investments, reduced by the cost of realized investments. In the event the Advisers raise a successor Private Investment Fund to such Equity Fund, the Management Fee percentage is generally reduced from 2.0% to 1.0%. ABRY Partners IV, L.P. is not currently paying a Management Fee.

#### Senior Equity Funds

During a Senior Equity Fund's active investment period, a Senior Equity Fund generally pays a Management Fee equal to 1.5% on an annual basis of Commitments. After the active investment period expires or a successor fund is raised (or upon the occurrence of certain other events set forth in such Fund's Partnership Agreement), then a Senior Equity Fund's Management Fee is generally reduced to an amount equal to 1.5% of funded Commitments in

respect of investments, reduced by the cost of realized investments. ABRY Mezzanine Partners, L.P. is not currently paying a Management Fee.

### Senior Debt Funds

During a Senior Debt Fund's active investment period, a Senior Debt Fund generally pays a Management Fee equal to 2.0% on an annual basis of Commitments. After the active investment period expires or a successor fund is raised (or upon the occurrence of certain other events set forth in such Fund's Partnership Agreement), then a Senior Debt Fund's Management Fee is typically reduced to the lower of 2.0% of Commitments or 2.0% of the cost basis or notional principal amount, as applicable, of investments held by such Fund. ABRY Mezzanine Investors, L.P. is no longer paying a Management Fee.

### Other General Management Fee Information

Management Fees generally are calculated on either a semi-annual basis or a quarterly basis, but are paid on a quarterly basis. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on a pro rata basis based upon the actual number of days in such period. A Fund's Management Fee is generally payable until all Fund assets have been distributed as described in the Partnership Agreement. Investors participating in a closing after a Private Investment Fund's initial closing bear the Management Fee from such initial closing date, with an added interest factor.

As further described in the applicable Partnership Agreement, a Fund's Management Fee may be reduced, although not below zero, by an amount equal to the Fund's pro rata share of the aggregate amount of directors' fees, consulting fees, commitment fees, monitoring fees, break-up fees, closing fees, investment banking fees, placement fees, transaction fees and other similar fees paid to the Advisers and certain of their affiliates (but not by amounts paid to consultants retained by or providing services to portfolio companies). To the extent that the Management Fee with respect to any of the Equity Funds, Senior Equity Funds or the Senior Debt Funds is not reduced as of any given payment date because such Management Fee installment has been reduced to zero, the excess shall be carried over to the next succeeding payment date and applied as a reduction of the Management Fee, but not below zero, for such succeeding payment date. To the extent any such excess remains unapplied upon dissolution of such Fund, each partner of such Fund will receive its share of such unapplied excess, unless such partner elects not to receive its share. Funds that do not pay a Management Fee neither receive the benefit of the management fee offsets nor share in any of such additional fees earned by the Advisers and their affiliates.

In certain very limited circumstances, monitoring fee arrangements with portfolio companies may include provisions that permit the acceleration of monitoring fees upon certain events, such as the initial public offering or strategic sale of a portfolio company. These acceleration provisions typically require a termination payment by the portfolio company, which often reflects the net present value at the time of the termination of the fees that would have been paid for the remaining term of the agreement. Because the monitoring agreements with portfolio companies often have prolonged terms, the effects of such acceleration is often substantial.



In addition, the Partnership Agreements typically allow the applicable General Partner to waive all or a portion of the Management Fee it is entitled to receive. Any such waived portion of the Management Fee reduces the amount of capital such General Partner would otherwise be required to contribute to such Fund. The limited partners may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner up to the aggregate amount of any such waiver as described above, which contribution is then invested for the benefit of the General Partner and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions.

### **Carried Interest**

With respect to each Fund, the applicable General Partner is generally entitled to receive a carried interest equal to a percentage of all realized profits; provided that no carried interest is payable to the General Partner unless all Partners have received a 9% preferred return compounded annually, as more fully described in the applicable Partnership Agreement. The carried interest to which the General Partner is entitled is: 20% in the case of ABRY Mezzanine Investors, L.P., ABRY Senior Equity Investors II, L.P., ABRY Senior Equity Investors II-A, L.P., ABRY Senior Equity Investors III, L.P., ABRY ASF Investors, L.P., and ABRY ASF Investors II, L.P.; 25% in the case of ABRY Capital Partners, L.P.; and 30% in the case of ABRY V Capital Partners, L.P. and ABRY VI Capital Partners, L.P. The carried interest distributed to each General Partner is generally subject to a potential giveback at the end of the applicable Fund's life if the General Partner has received excess cumulative distributions from such Fund.

### **Other Information**

The Funds and other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the life of the applicable Fund (or the relevant Private Investment Fund, as applicable) and investors generally are not permitted to withdraw from or redeem interests in the Fund (or other relevant Private Investment Fund, as applicable), except in the case of certain legal or regulatory issues.

Principals or other current or former employees of ABRY may receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Management Company or its affiliates. In addition, the General Partners typically exempt the Advisers and their affiliates from payment of all or a portion of Management Fees and/or carried interest. Such exemptions may be made pursuant to a direct exemption or rebate or through investment in another Private Investment Fund, such as a Co-Investment Fund that does not charge a fee.

In addition to the Management Fee and carried interest payable to the Advisers, as set forth in the applicable Partnership Agreement, each Fund bears certain expenses in connection with the Fund's activities, investments and business, to the extent not borne or reimbursed by a portfolio company or applied to reduce monitoring and other fees, generally including: legal, accounting, auditing, administration, investment banking, bank service fees, travel (including

business class, first class fares and the chartering of private aircrafts (with such associated cost not in excess of the cost of first class fares) or equivalents), consulting, research, brokerage, custodial, finder's fees, custody, valuation, appraisal, printing, filing, preparation and distribution of tax, accounting, and other administrative, regulatory or other Fund-related reporting or filing, title, transfer, escrow, registration, insurance, advisory board, annual meetings, interest, taxes, litigation, indemnification, extraordinary expenses and other similar fees and expenses, compliance with "freedom of information act" and other similar requests, winding up and liquidating the Fund or related entities, all expenses incurred with respect to proposed or consummated portfolio investments including structuring, organizing, acquiring, financing, refinancing, managing, operating, holding valuing, winding up, liquidating, dissolving and disposing of such investments attributable to the activities of each Fund, all costs and expenses incurred in connection with the organization, management, operation, dissolution, liquidation and final winding up of "alternative investment vehicles" (to the extent not borne by such "alternative investment vehicles" formed by the Fund), but not the Adviser's expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses), except to the extent borne by a Portfolio Company. The Funds also bear all out-of-pocket fees, costs and expenses, if any, incurred in connection with the Partnership's legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulations.

The Funds also bear expenses indirectly to the extent a portfolio company pays expenses (including without limitation in connection with the acquisition or closing of a transaction), along with certain expenses of the Advisers and/or their affiliates. As is typical for closed-end private equity, senior equity and senior debt funds, the Funds likely 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."

From time to time, the Funds may form and fund "platform" companies, where a Fund forms a portfolio company and recruits a management team to build the portfolio company through acquisitions and organic growth. Typically after recruiting and partnering with a management team to lead a new portfolio company, the Fund will commit start-up capital to fund the operations of the portfolio company which includes the overhead of the management team and any diligence and related expenses incurred in pursuing acquisition opportunities.

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. The Advisers may also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

The Advisers may permit certain investors to co-invest in portfolio companies alongside one or more primary Funds. Each of the Co-Investment Funds generally bears, and any other co-invest vehicle formed generally will bear, expenses related to its formation and operation, many of which are similar in nature to those borne by the primary Funds. A General Partner may employ a subscription facility maintained by one or more Funds to provide interim financing in

connection with the acquisition of a portfolio company by such Fund or other Funds (including Co-Investment Funds) and, in such situations, each of the participating Funds bears their pro rata share of any interest or other charges in connection therewith. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-invest or other vehicle in connection with such transaction, such as the Co-Investment Funds, and such vehicle may bear its share of such expenses.

The Advisers may retain certain consultants who may regularly provide services to (or with respect to) certain portfolio companies in which one or more Private Investment Funds invest, and such consultants may receive compensation, including but not limited to transaction fees or profits or equity interests in one or more Funds or General Partners. No such compensation will offset the Management Fee. The use of such consultants may subject the Advisers to conflicts of interest, as discussed under “Conflicts of Interest,” below.

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

As described under “Fees and Compensation,” the Advisers generally receive a carried interest allocation on realized profits in the Funds. Except for certain Co-Investment Funds, which are designed to invest alongside the Funds, subject to any limitations in the applicable Partnership Agreements, the Advisers currently advise only Funds that are charged a performance-based fee. Because the Co-Investment Funds generally invest *pro rata* alongside the Funds, the Management Company believes that no conflict of interest arises through side-by-side management of Funds that pay carried interest and Co-Investment Funds that do not. Furthermore, the Advisers do not make investment allocation decisions based on the likelihood of receiving a performance-based fee from a particular Fund.

#### **TYPES OF CLIENTS**

The Management Company provides investment advice to Private Investment Funds, which may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, university endowments, family offices, insurance companies, pension and profit-sharing plans, trusts, estates or charitable organizations, sovereign wealth vehicles, corporations or other business entities or other investment entities, and may include, directly or indirectly, principals or other employees of the Management Company and its affiliates or service providers to the Management Company or the Private Investment Funds (e.g., legal service providers).

The Private Investment Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these

vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Private Investment Fund.

Other than the Co-Investment Funds, each Private Investment Fund generally has a minimum investment amount ranging from \$5 to \$10 million for third-party investors. In most circumstances, investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. Generally, investors must be (i) “accredited investors” as defined under Regulation D of the U.S. Securities Act of 1933, as amended (“**Securities Act**”), and (ii) in the case of Funds formed more recently, either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. The Advisers may waive such minimum investment amounts and qualification requirements.

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

### **General**

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

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

### **Investment Strategy and Process**

The Management Company invests the Private Investment Funds primarily in media, communication, information and business services companies and related businesses and industries (collectively, the “**Sector**”), including the following sub-sectors.

Advertising Services	Direct Response Advertising	Outdoor Advertising
Broadband / Data Services	Educational Services	Publishing
Business-to-Business Media	Entertainment	Radio Broadcasting
Business-to-Consumer Media	Healthcare Information Services	Satellite Services
Business Services	Information Security	Security Monitoring
Cable Television	Information Services	Telecom Services
Communication Services	Insurance Information Services	Telephone Services
Cable Television	Internet Services	Television Broadcasting
Communication Towers	Marketing Services	Transaction Processing
Consumer Publishing	Mobile Communications	Video Gaming
Content Distribution	Motion Picture Slate	Video Distribution

	Production	
Data Centers	Movie Exhibition	
Digital Media	Newspapers	

In each case, the Private Investment Funds may selectively invest outside the Sector when the Management Company believes it identifies attractive opportunities.

### Equity Funds

The Equity Funds follow a consistent thesis-based approach in which the subsectors are regularly evaluated for their relative attractiveness or lack thereof. Attributes that can move subsectors into or out of the “high priority” category include regulatory or technological change, growth prospects, number of opportunities, competitive dynamics, valuation and long-term operating characteristics, among others. Once a particular subsector has been characterized as attractive, a dedicated team of Management Company professionals is charged with further analyzing the prospects and identifying investment opportunities. This work typically entails interviewing management teams, bankers, brokers, accountants, lawyers and others specializing in the particular subsector.

The Equity Funds pursue a range of transaction types, including acquisitions, growth investments, consolidation strategies, cost reductions and turnarounds, and will generally take controlling positions in portfolio companies in order to exert what it views as the requisite level of influence over the Fund’s investments. The Equity Funds generally will invest in portfolio companies with a three-to-seven year investment horizon and individual investments at sizes of more than \$25 million to \$150 million.

### Senior Equity Funds

The Senior Equity Funds invest primarily in senior equity securities issued by companies in the Sector. The Senior Equity Funds intend to invest in a diversified portfolio of companies identified and evaluated by senior professionals at ABRY, including those that are exclusively dedicated to the Senior Equity Funds.

The Management Company generally causes the Senior Equity Funds to structure investments to be senior in liquidation preference to a significant amount of underlying common equity value. In addition, these investments generally are structured with rights, controls and protective covenants. The Senior Equity Funds expect investments to primarily range in size from \$20 million to \$70 million and will typically structure investments as preferred stock with warrants, but it may also invest in subordinated debt with warrants, common stock offered in conjunction with senior equity securities, convertible securities and, in limited circumstances, in publicly-traded subordinated debt securities. The Senior Equity Funds will have the ability, but not the obligation, to make senior equity investments in many of the transactions sponsored by the Equity Funds and the Senior Debt Funds.

### Senior Debt Funds

The Senior Debt Funds invest primarily in senior debt securities issues by companies in the Sector. The Senior Debt Funds generally invest in a diversified portfolio of debt securities identified and evaluated by senior professionals at ABRY, including those that are exclusively dedicated to the Senior Debt Funds. The Senior Debt Funds' investments generally consist of loans held indirectly through the use of TRS with one or more banks, financial institutions or other parties believed to be creditworthy, but other means through which to make such investments may be considered from time to time where the Management Company believes the approach may provide similar access to leverage and preservation of capital. In addition, the Senior Debt Funds will typically acquire investments with a view to holding the loans to their maturity or earlier redemption at par, but also employ a limited portion of available capital to gain exposure to more short-term investments.

The Senior Debt Funds will have the ability, but not the obligation, to make senior debt investments in some of the transactions sponsored by the Equity Funds and the Senior Equity Funds. The Senior Debt Funds seek to create a diversified portfolio comprising over 100 companies across multiple sub-sectors and acquired over three-plus years to capture vintage diversification.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Although the following risk factors are generally applicable to the Advisers' Funds, investors should also refer to each Fund's private placement memoranda for risk factors specific to their Fund. The risks involved with the Advisers' investment strategy and an investment in the Funds include, but are not limited to:

### General Investment Risks

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

*No Assurance of Investment Return.* The task of identifying investment opportunities and managing such investments is difficult. Many organizations operated by persons of competence and integrity have been unable to make such investments successfully. There is no assurance that a Fund's investment objectives will be attained or that the value of the investments will not decline or that there will be any return of capital.

*Availability of, and Competition for, Investment Opportunities.* The business of identifying, structuring and completing private equity, senior equity and senior debt investments is highly competitive and involves a high degree of uncertainty. The Principals have significant experience in identifying and structuring various types of financing transactions, including private equity and mezzanine financings, on behalf of the Funds, but the availability of investment opportunities generally is subject to many factors outside of their control, such as prevailing market conditions, as well as the regulatory and political climate. A Fund competes

for investment opportunities with a number of other sources of capital with similar investment objectives, including other private investment funds, financial institutions and other institutional investors, some of whom have greater capital and general partners who are more experienced in the private equity or senior debt financing areas. There may be relatively few attractive investment opportunities at certain times during a Fund's investment period and there can be no assurance that such Fund will succeed in obtaining a sufficient number of such investment opportunities, that an investment ultimately acquired by a Fund will achieve its return objectives or that a Fund will be able to invest all its available capital. However, limited partners are required to pay annual management fees during its active investment period based on the entire amount of their Commitments.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Thus, there may be a number of years when the only income from a Fund is dividend and interest income from its investments. Such income may not be significant and operating expenses may exceed income during that period. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual management fee payable to a General Partner) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including, without limitation, unfunded Commitments.

*Risks of Realization and Lack of Liquidity of Investments.* A Fund generally invests in private companies, the securities of which are not publicly-traded. Unless such a company subsequently succeeds in obtaining approval from the relevant authorities to list its securities on a recognized exchange, this avenue to liquidity will not be available to a Fund. Even if the company completes an initial public offering, certain classes of securities held by a Fund may never become publicly tradable. Consequently, a Fund must then rely on other means to achieve liquidity. In addition, a Fund may be precluded from selling any shares of a publicly-traded security for some time after an initial public offering. Given the nature of the investments contemplated by a Fund, there is a significant risk that a Fund will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which a Fund's investments are made, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

*Prior Investment Results.* The prior investment results and returns of a Fund, or any other Private Investment Fund, are not necessarily indicative of such Fund's potential investment results. The nature of, and risks associated with, a Fund's investments may differ substantially from those investments and strategies undertaken historically on behalf of such other Private Investment Funds. In some instances, return rates targeted by a Fund for its investments will be less than the historical results. While the General Partners intend for the Funds to make

investments that have estimated returns commensurate with risks undertaken, there can be no assurance that a Fund's future investments will perform as well as the past investments managed by the Management Company, or that any targeted internal rate of return will be achieved. On any given investment or on all investments, loss of principal is possible.

*Investment in Junior Securities.* For certain of the Funds (and particularly the Equity Funds), the securities in which such Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a Fund is vested with the General Partner, and a Fund's future profitability depends largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the Fund and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Principals. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund depends on the actions of its General Partner. Although a General Partner monitors the performance of each of its Fund's investments, it is primarily the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with a Fund's objectives.

*Leveraged Investments.* A Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of portfolio companies not rated by credit agencies or through investment structures such as TRS. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of TRS, and leverage generally, is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a portfolio 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 companies increases the exposure of a Fund's investments to any deterioration in a portfolio company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, a Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund invests generally will not be rated by a credit rating agency. Leverage may also be utilized by the Senior Debt Funds, as described more fully below.

*Fund Leverage.* A Fund may make use of leverage by incurring debt to finance pending capital contributions or to meet certain obligations of the Fund, and the Funds generally have the authority to pledge assets and unfunded capital contributions to support such leverage. The use of such leverage involves a high degree of financial risk. The extent to which a Fund uses leverage may have important consequences to investors, including, but not limited to, the following: (i) greater fluctuations in the net assets of the Fund, (ii) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions, or other purposes, (iii) to the extent that Fund revenues are used to make principal payments, investors may be allocated income (and therefore incur tax liability) in excess of cash available for distribution, (iv) in certain circumstances a Fund may be required to prematurely harvest investments to service its debt obligations and (v) limitations on the flexibility of a Fund to make distributions to investors or sell assets that are pledged to secure the indebtedness. There can also be no assurance that a Fund will have sufficient cash flow to meet its debt service obligations. As a result, a Fund's exposure to losses may be increased due to the illiquidity of its investments generally. In addition, there can be no assurance that a Fund will be able to obtain indebtedness on terms available to any predecessor fund or to competitors, including terms that may be currently available in the market, or that indebtedness will be accessible by a Fund at any time, and to the extent that it is available there can be no assurance that such indebtedness will be on terms favorable to such Fund, including with respect to interest rates, or that such indebtedness will remain available throughout the term of such Fund. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. A Fund may guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guaranty or exposure to such liability.

*Control Person Liability; Risks of Non-Controlling Investments.* The Equity Funds and Senior Equity Funds are expected to have controlling interests in, or other control rights with respect to, a number of its portfolio companies. The exercise of control over a company may impose additional risks of liability for, among other things, environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of

business ownership may be ignored. If these liabilities were to arise, a Fund might suffer a significant loss. A Fund may have a more limited ability to protect its investments in companies in which a controlling interest has not been obtained.

*Limited Diversification and Impact of Regulation.* A Fund is focused on investments in securities issued by companies in the media, communications, information, and business services industries and related companies, and in a limited number of companies within those industries. As a result, a Fund's investment portfolio is likely to be highly concentrated and its aggregate return may be affected substantially by the performance of a few holdings or an industry sector. If the overall state of those industries or specific subsectors or companies in which a Fund invests performs poorly, such Fund may be adversely affected. Media, communications, information, and business services industries and related companies are regulated by the U.S. Federal Communications Commission ("FCC") and other regulatory bodies. Although recent FCC rulings have created attractive investment opportunities and fueled merger and acquisition activity within the media industry, there is no assurance that future FCC regulations, or regulations established by other regulatory bodies, will continue to be favorable to the media industry. Many of the companies in which a Fund invests will be subject to regulation by the FCC and, in some cases, to other government regulation in the United States and elsewhere. The products or services of such companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining these approvals can be lengthy, expensive and uncertain, and there is no assurance that these approvals will be obtained. Failure to obtain these approvals could have a significant adverse effect on a company's performance or the ability of the Fund to dispose of its investments in the company at an attractive time or price. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer companies and thus be less diversified.

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

*Public Company Holdings.* A Fund's investment portfolio may contain securities issued by publicly-held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals and increased costs associated with each of the aforementioned risks.

*Director Liability.* The Equity Funds typically obtain, and the Senior Equity Funds will generally seek to obtain, the right to appoint one or more representatives to the board of directors

(or similar governing body) of the companies in which they invest. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

*Non-U.S. Investments.* A Fund may invest, subject to certain limitations set forth in the applicable Partnership Agreement, in companies that are organized, headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or their Partners with respect to a Fund's income, and possible non-U.S. tax return filing requirements for a Fund and/or their Partners. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country, (b) less publicly available information, (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Reliance on Corporate Management and Financial Reporting.* Following investment, in many cases, a General Partner relies on the financial information made available by the companies in which its Fund invests. A General Partner generally does not have the ability to independently verify such financial information, and generally is dependent upon the integrity of both the management of these companies and the financial reporting process in general. Material losses can occur as a result of corporate mismanagement, fraud and accounting irregularities.

*Dilution.* Limited partners admitted to a Fund at subsequent closings participate in then-existing investments of such Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner is required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution reflected the fair value of a Fund's existing investments at the time of such contributions.

*Need for Follow-On Investments.* Following its initial investment in the securities of a company, a Fund may decide to make additional investments in such securities or otherwise increase its exposure to the securities of such company. There is no assurance that a Fund will make follow on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful company or the dilution of a Fund's ownership in a company if a third party invests in such company.

*Recourse to the Fund's Assets.* A Fund's assets, including any investments and any funds held by a Fund, are available to satisfy all liabilities and other obligations of such Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Fund's assets generally and may not be limited to the particular investment giving rise to the liability.

*Withholding and Other Taxes.* Each General Partner intends to structure its Fund's investments in a manner that is intended to achieve such Fund's investment objectives. There can be no assurance, however, that the structure of any investment will be tax efficient for any particular investor or that any particular tax result will be achieved. Also, tax reporting requirements may be imposed on investors under the laws of the jurisdictions in which investors are liable to taxation or in which a Fund makes portfolio investments. Prospective investors should consult their own professional advisors with respect to the tax consequences to them of an investment in a Fund under the laws of the jurisdiction in which they are liable to taxation. Furthermore, a Fund's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which a Fund's companies are organized. In addition, certain of a Fund's portfolio investments may be issued with "original issue discount" or may result in the receipt of ordinary dividend income without a corresponding receipt of cash or property. Consequently, an investor's share of taxable income of a Fund for a particular period (and possibly the income tax payable with respect to that income) may exceed the cash or other property distributed by the Fund to such investor in respect of that period.

*Inside Information.* From time to time a General Partner or its affiliates may be in possession of material, nonpublic information concerning the issuer of securities in which a Fund has invested, or in which it intends to invest. The possession of such information may limit the ability of a Fund to buy or sell such securities even if such information was obtained in the context of the investment activities of other Private Investment Funds. Accordingly, a Fund may be required to refrain from buying or selling such securities or other instruments at times when a General Partner might otherwise wish such Fund to buy or sell such securities or other instruments.

*Absence of Statutory Regulation.* The Funds are not registered under the Investment Company Act. Absent regulation, the protections offered by the Investment Company Act will not be available to the Partners or a Fund.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and increased regulation of the private funds industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of such Fund to execute its investment strategy or achieve its investment objectives. The combination of recent scrutiny of private funds firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private funds firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of a Fund's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the Principals, employees or other individuals associated with a Fund or a General Partner who were or may in the future be granted direct or indirect interests in a General Partner entitling such persons to benefit from an carried interest. This may reduce such persons' after-tax returns from a Fund and a General Partner, which could make it more difficult for such General Partner and its affiliates to incentivize, attract and retain individuals to perform services for such Fund.

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

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

Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

*Credit Markets May Affect Ability to Finance and Consummate Investments.* The deterioration of the global credit markets in recent years made it more difficult for investment funds such as a Fund to obtain favorable financing for investments. Continuation of such conditions, which had consisted of, in part, a widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has reduced investor demand for high yield debt, which in turn has led some investment banks and other lenders to be unwilling to finance new investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*General Partner's Interest.* The capital contribution of a General Partner represents only a small portion of a Fund's capital. Distributions of income and gains to limited partners may be proportionally less than those corresponding to their aggregate capital commitments, and the income and gains to a General Partner may be proportionally greater than those corresponding to its capital commitment. The fact that a General Partner's carried interest is based on a percentage of net profits may create an incentive for such General Partner to cause its Fund to make riskier or more speculative investments than otherwise would be the case.

*Indemnification.* A General Partner and certain related persons are entitled to indemnification from a Fund, except under certain limited circumstances. Any money paid to a General Partner or certain related persons will reduce amounts that would otherwise be payable to the limited partners.

*Transfer by General Partner.* To the extent a General Partner, its partners and/or their respective affiliates commit to make an investment in a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to certain limitations thereon in the Partnership Agreement.

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

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

*U.S. Federal Commodities Regulation.* The Funds may trade in instruments regulated by the U.S. Commodity Futures Trading Commission (the “CFTC”), and in such event (unless otherwise notified to limited partners) a General Partner and/or its affiliates intend to qualify for an applicable exemption from registration with the CFTC as a commodity pool operator (“CPO”) with respect to a Fund pursuant to an exemption under CFTC Regulation 4.13(a)(3), which requires filing a notice of exemption with National Futures Association and renewing such filing annually. Unlike a registered CPO, a General Partner of a Fund and/or such affiliates are not required to deliver a CFTC-compliant disclosure document (as described in Part 4 of the CFTC’s regulations) and a certified annual report to investors. Nonetheless, each relevant General Partner does intend to provide investors with annual audited financial statements and the reports described in the Partnership Agreement. A General Partner and/or its affiliates may pursue an alternative exemption from CPO registration if 4.13(a)(3) becomes unavailable, or register with the CFTC as a CPO.

In order to qualify for the exemption from CPO registration pursuant to CFTC Regulation 4.13(a)(3), (i) the relevant limited partner interests must be exempt from registration under the Securities Act and not publicly marketed in the United States; (ii) with respect to the relevant Fund’s positions in CFTC-regulated instruments either: (A) the aggregate initial margin and related amounts required to establish such positions must not exceed 5% of the liquidation value of the Fund’s portfolio, after taking into account unrealized profits and unrealized losses on any such positions; or (B) the aggregate net notional value of such positions, determined at the time the most recent position was established, must not exceed 100% of the liquidation value of the Fund’s portfolio, after taking into account unrealized profits and unrealized losses on any such positions; and (iii) the General Partner must reasonably believe, at the time of the investment, that each participant in the Fund is either an “accredited investor,” as that term is defined in Regulation D under the 1933 Act; a trust that is not an accredited investor but that was formed by an accredited investor for the benefit of a family member; a “knowledgeable employee,” as defined in Rule 3c-5 under the Investment Company Act; or a “qualified eligible person,” as that term is defined in CFTC Regulation 4.7; and (iv) the interests must not be marketed as or in a vehicle for trading in the commodity futures, commodity options, or swaps markets.

*Cyber Security Breaches and Identity Theft.* Information and technology systems of Advisers and each Fund’s portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, a Fund and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Advisers’, the Funds’ and/or a portfolio company’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Advisers’, a Fund’s or a portfolio company’s reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

*Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in over-the-counter contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. Over-the-counter contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the General Partners intend to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

#### Additional Risks for Senior Equity Funds

*Nature of Senior Equity Securities.* Although senior equity securities are typically senior to common stock or other equity securities, the preferred equity and debt securities in which a Fund will invest will generally be unsecured and subordinated to substantial amounts of senior debt, all or a significant portion of which may be secured. In addition, these securities may not be protected by all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such senior debt. Holders of subordinated debt generally are not entitled to receive any payments in bankruptcy or liquidation until senior creditors are paid in full. Holders of senior equity are not entitled to payments until all creditors are paid. In addition, the remedies available to holders of subordinated debt are normally limited by restrictions benefiting senior creditors. In the event any portfolio company cannot generate adequate cash flow to meet senior debt service, the Fund may suffer a partial or total loss of capital invested.



*Non-Controlling Interest in Portfolio Companies.* A Senior Equity Fund will generally hold non-controlling interests in its portfolio companies and, although a Senior Equity Fund will negotiate negative covenants and other contractual restrictions for each portfolio company, it will primarily be the responsibility of management teams and boards of directors of such companies, which may include representation by other investors whose interests may conflict with the interests of a Senior Equity Fund to operate the portfolio company on a day-to-day basis. Accordingly, a Senior Equity Fund will have a limited ability to protect its investments in such portfolio companies.

#### Additional Risks for Senior Debt Funds

*Long-Term Nature of Investments.* The stated maturity for a Fund's investments will typically range from two to five years. Thus, there may be a number of years when the only income from a Fund is payments on TRS and dividend and interest income from its investments. Such income may not be significant and operating expenses may exceed income during that period.

*Risks of Realization and Lack of Liquidity of Investments.* A Fund generally invests in interests in senior debt securities issued by private companies, which are not publicly-traded. Consequently, a Fund must rely on other means to achieve liquidity and may be precluded from selling interests in the senior debt securities at an optimal time. Given the nature of the investments contemplated by a Fund, there is a significant risk that a Fund will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies whose borrowings underlie a Fund's investments, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

*No Secondary Market for Securities.* The senior debt securities in which a Fund invests are generally heavily negotiated and, accordingly, do not have the liquidity of conventional public bond and equity securities. Due to their illiquid nature, a Fund may not be able to dispose of its interest in a debt security in a timely manner and/or at a fair price. There is no assurance that a Fund will be able to dispose of an investment in a particular debt security prior to its redemption at maturity. The inability to dispose of a loan position could result in losses to a Fund, including the loss of its entire investment. The debt of highly leveraged companies or companies in default also may be less liquid than other debt. If a Fund voluntarily or involuntarily sold its interests in those types of debt securities, it might not receive the full value it expected.

*Credit Risks.* Debt investments are subject to credit risk. Credit risk relates to the ability of the borrower to make interest and principal payments on the loan or security as they become due. If the borrower fails to pay interest, a Fund's income might be reduced. If the borrower fails to repay principal, the value of that security and the value of a Fund might be reduced. A Fund's interests in debt instruments are subject to risks of default.

A Fund acquires interests in bank debt securities issued in connection with leveraged buyout transactions, recapitalizations and other highly-leveraged transactions. These types of bank loans are generally subject to greater risks than investment grade debt. The value of any underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Fund cannot guarantee the adequacy of the protection of such Fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. While a Fund's investment interests in senior loans typically are secured by collateral, a Fund or a bank counterparty holding a particular loan may have difficulty liquidating the collateral or enforcing its rights under the terms of the senior loans in the event of the borrower's default. There is no guarantee that the collateral securing a senior loan will be sufficient to protect a Fund against losses or a decline in income in the event of a borrower's non-payment of interest or principal. In addition, any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property may further reduce the proceeds and thus increase the loss. In the event that a borrower declares bankruptcy, a court could invalidate a Fund's or bank counterparty's security interest in the loan collateral or subordinate a Fund's or bank counterparty's rights under the senior loan to other creditors of the borrower.

*Interest Rate Risk.* In general, the value of a debt security changes as prevailing interest rates change. For fixed-rate debt securities, when prevailing interest rates fall, the values of outstanding debt securities generally rise. When interest rates rise, the values of outstanding debt securities earning lower rates generally fall, and they may sell at a discount from their face amount. The debt instruments in which a Fund invests generally will have adjustable interest rates. For that reason, the General Partners expect that when interest rates change, the amount of interest received by a Fund in respect of such debt investments will change in a corresponding manner. In contrast, the interest income earned by a Fund on the cash balances in the collateral account, which is expected to be a small component of a Fund's total anticipated earnings, is pegged to Treasury rates and thus will fall when Treasury rates decline or rise when Treasury rates increase.

*Reliance upon Co-Investor.* A Fund invests in loans syndicated to one or more additional debt investors, one of which will be responsible for negotiating the terms of the loan agreement that establishes the terms and conditions of the debt investment and the rights of the borrower and the lenders. In such circumstances, a Fund is bound by the negotiated terms of the loan documentation. There can be no assurance that the co-investor will negotiate terms which are consistent with the terms generally sought by a Fund. If the co-investor is acting as collateral agent under the loan documentation and becomes insolvent, the assets securing the debt investment may be determined by a court or regulatory authority to be subject to the claims of the co-investor's creditors. If that were to occur, a Fund might incur delays and costs in realizing payment on the loan, or it might suffer a loss of principal and/or interest.

*Swap Agreements.* A Fund will enter into one or more swap agreements. Swap agreements are two-party contracts entered into primarily by institutional investors for extended periods often exceeding one year. In a standard swap transaction, two parties agree to exchange payment streams derived by reference to different reference points, including asset values, rates or indices. A swap contract may not be assigned without the consent of the counterparty, and may result in losses in the event of a default or bankruptcy of the counterparty.

*Total Return Swaps.* TRS are swap agreements where a party agrees to pay the counterparty the total return of a specified underlying asset in return for fixed or floating rate payments. In the case of a Fund, the TRS will be based on specific bank loans identified and selected by the Fund. TRS are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into such swaps. There is currently little or no case law or litigation characterizing TRS, interpreting their provisions, or characterizing their tax treatment. In addition, additional regulations and laws may apply to TRS that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any TRS agreement or other related documents or additional regulations and laws will not have a material adverse effect on the Fund.

*Counterparty Risk.* A General Partner of a Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of a Fund's transactions with one counterparty. Moreover, a General Partner has no formal credit function which evaluates the creditworthiness of a Fund's counterparties. The ability of a Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

The TRS counterparties with which a Fund does business may encounter financial difficulties, fail, or otherwise become unable to meet their obligations. Any such development would impair the operational capabilities of the Fund or cause damaging losses, or even complete loss, of its capital. To help mitigate this risk, a Fund will generally contract with banks and other financial institutions with significant experience in issuing TRS.

In addition, the counterparties with which a Fund effects transactions may, from time to time, cease making markets or quoting prices in the desired instrument. In such instances, a Fund may be unable to enter into a desired transaction, or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, certain swaps may not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into swaps, a Fund may be required, and must be able, to perform its obligations under the contract.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**") further requires the SEC, CFTC and federal prudential regulators to adopt margin requirements for uncleared swaps and security-based swaps with certain regulated entities. The federal banking regulators and the CFTC have adopted final rules imposing margin requirements for uncleared swaps (other than physically-settled foreign exchange forwards and foreign exchange swaps) which will be phased-in beginning in September 2016. Such margin requirements may result in increased costs and could adversely affect the ability of a Fund to use derivatives to hedge its risks in the future and/or to amend or novate existing swaps after the date upon which a Fund is required to comply with the rules. Moreover, the Dodd-Frank Act requires that certain derivatives in the interest rate and credit asset classes that were previously entered into over-the-counter be cleared through a central clearinghouse, subject to certain limited exceptions, and executed through an exchange or other approved trading platform, which may result in increased costs in the form of intermediary fees and additional margin requirements

imposed by derivatives clearing organizations and their respective clearing members. Other similar measures have been adopted in other jurisdictions, and additional requirements related to central clearing of transactions in additional asset classes will likely be phased in over time. Accordingly, to the extent that a General Partner relies on the use of OTC derivatives, recent regulation regarding margin requirements for uncleared derivatives and the still developing regulation of cleared transactions may adversely affect the General Partner's ability to implement the Fund's hedging or investment strategy, the Fund may face increased costs in such implementation, and to the extent that certain hedging or investment strategies become unavailable as a result of regulation, there can be no assurance that the General Partner would be able to utilize alternate methods to seek to implement such aspects of the Fund's investment or hedging program. In such cases, if a General Partner were unable to utilize such alternate methods, the impact on a Fund could be substantial and adverse.

*Risks Associated With CLO Securities.* A Fund may invest in securities issued by structured vehicles that purchase loans ("**CLO Securities**"). In case of a default, CLO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("**CLO Collateral**") or proceeds thereof. Consequently, holders of CLO Securities must rely solely on distributions on the underlying CLO Collateral or proceeds thereof for payment. If distributions on the underlying CLO Collateral are insufficient to make payments on the CLO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency will be extinguished. During such periods of nonpayment or partial nonpayment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CLO Securities.

CLO Securities are subject to operational, credit, liquidity and interest rate risks. Issuers of CLO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; provided, however, its rights can be more restricted than those of the assigning institution. In purchasing participations, an issuer of CLO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. In the case of participations, the CLO issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The CLO issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under U.S. federal and state laws, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CLO Securities are also subject to interest rate risk and basis risk. The CLO Collateral of an issuer of CLO Securities may bear interest at a fixed or floating rate while the CLO Securities issued by such issuer may bear interest at the opposite kind of rate. As a result, there could be an

interest rate mismatch between such CLO Securities and CLO Collateral, where the CLO Collateral bears interest that is, at certain times, insufficient to adequately collateralize the CLO Securities. There may be a timing mismatch between the CLO Securities and CLO Collateral assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently and/or on different dates and/or based on different indices than the interest rates on the CLO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CLO Securities. In addition, hedges may have been acquired to manage the interest rate risk of such CLO Securities, making such CLO Securities also subject to the credit risk of the applicable hedge counterparty.

*Cross Collateralization.* A Fund may engage in financings where several investments are cross-collateralized, thereby subjecting multiple investments to the risk of loss. As a result, a Fund could lose its interests in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments.

*Creditor Rights.* In some cases, a General Partner may seek appropriate creditor rights to help protect a Fund's interests, and such rights may include, under certain circumstances, the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Such creditor rights may expose a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

*Non-Investment Grade Securities.* A Fund may acquire interests in securities that are rated in the non-investment grade categories by the various credit rating agencies or are not rated. Such securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions, and the yields and prices of such securities may be more volatile than those for higher-rated securities. The market for non-investment grade and non-rated securities is often less liquid than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities. The limited liquidity of the market may also adversely affect the ability of the relevant calculating party to arrive at a fair value for certain non-investment grade and non-rated securities at certain times and could make it difficult for a Fund to sell or dispose of certain securities.

*Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "***lender liability***"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. While believed to be unlikely, because of the nature of certain of the underlying securities, the holder of an underlying

security could be subject to allegations of lender liability, which could potentially reduce the cash flows and/or market value of such security.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its or its affiliates' influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the underlying securities, the holder of an underlying security could be subject to claims from creditors of an obligor that investments issued by such obligor that constitute underlying securities held by such holder should be equitably subordinated, which could potentially reduce the cash flows and/or market value of the security. A significant number of the underlying securities will involve investments in which the holder of the interest affecting a Fund would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the Fund investments could arise without the direct involvement of a Fund.

*Bank Loans and Participations.* A Fund's investment program may include interests in significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of a particular investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a Fund to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, a General Partner compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent fraud, willful misconduct or gross negligence by a General Partner, will be borne by its Fund.

*Collateral Requirements.* In connection with certain types of investment arrangements with third-party counterparties (e.g., TRS), a Fund may be required to post collateral that will be valued pursuant to a "mark to market" methodology. As a result, a decline in the market may result in a decreased valuation of underlying assets and require the posting of additional collateral in order to maintain the position. Such an increase in the margin requirement may require a Fund to sell investments or other assets. A Fund will attempt to mitigate such risk by maintaining cash on hand, or calling additional capital. However, there can be no assurance that any such amounts will be sufficient to cover outstanding margin requirements.

*Nature of Investments in Senior Loans.* A Fund will generally invest in interests in senior loans, and the factors affecting a borrower's loan, and its overall capital structure, are complex. The value of any underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Fund cannot guarantee the adequacy of the protection of the Fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. While a Fund's investment interests in senior loans typically will be secured by collateral, the Fund may have

difficulty liquidating the collateral or enforcing its rights under the terms of the senior loans in the event of the borrower's default.

Some loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some 1<sup>st</sup>-lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve 1<sup>st</sup>-liens only on specified assets of an issuer (e.g., excluding real estate). Issuers of 1<sup>st</sup>-lien loans may have two tranches of 1<sup>st</sup>-lien debt outstanding each with 1<sup>st</sup>-liens on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of a chapter 11 filing by an issuer, United States Code (11 USC §§ 101 - 1330) (the “**Bankruptcy Code**”) authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a prior lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be “adequate protection” which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of prior liens on a Fund's collateral would adversely affect the priority of the liens and claims held by the Fund and could adversely affect the Fund's recovery on its leveraged loans.

Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow a Fund to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Fund in respect to its investment. There is no guarantee that the collateral securing a senior loan will be sufficient to protect a Fund against losses or a decline in income in the event of a borrower's non-payment of interest or principal. In addition, any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property may further reduce the proceeds and thus increase the loss. Moreover, as stated above, a Fund may invest in debt instruments which are not secured by collateral at all.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer of debt, the Bankruptcy Code imposes an automatic stay on payments of its pre-petition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to file for chapter 11 reorganization, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are “fair and equitable” to the class and certain other conditions are met.

A Fund's investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the borrower repaying the principal on an obligation held by the Fund earlier than expected.

## **Conflicts of Interest**

The Advisers and their related entities engage in a broad range of advisory and non-advisory activities. In the ordinary course of the Advisers conducting their activities, the interests of a Fund may conflict with the interests of the Advisers, one or more other Private Investment Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by the Principals through such Fund, subject to certain limited exceptions. Without limitation, the Principals currently, and may in the future, manage multiple Funds with similar strategies and other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those Funds and investments. The Principals and ABRY's investment staff will continue to manage and monitor such Funds and investments until their realization. Such Funds and other investments that the Principals may control or manage may potentially compete with each other. Following the commitment period of a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

In managing several Private Investment Funds and investments similar to those in which a Private Investment Fund will be investing, the Principals may direct certain relevant investment opportunities to certain Private Investment Funds and investments, subject to any applicable limitations in the Fund Documents. The Advisers have discretion over how or when to allocate certain investments among the Private Investment Funds, subject to certain limitations set forth in the applicable Partnership Agreements. The Advisers may have conflicts of interest in the decisions regarding the allocation of investments. The Advisers may invest a portion of a Fund's assets in securities of companies in which one or more other Private Investment Funds has or will have an existing investment. These and other situations will involve potential conflicts of interest. Although each Private Investment Fund generally establishes procedures to address such conflicts, there can be no assurance that such conflicts will be resolved in a manner that is most favorable to the Private Investment Fund and its limited partners. Additionally, the Fund Documents may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of a Private Investment Fund in issuers held by other Private Investment Funds, or may give priority with respect to investments to one or more Private Investment Funds. Some of these restrictions could be waived by investors (or their representatives) in such Private Investment Funds. However, the applicable Advisers may or may not, in their sole discretion, seek any such waiver and, in any event, there can be no assurance that any waiver sought would be obtained. Conflicts may also arise in the allocation of certain Principals' time among the Private Investment Funds.

ABRY and its Principals and employees may also carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Private Investment Funds, and may give advice and recommend securities to other accounts or investment funds which may differ from advice given to, or securities recommended or bought for, the Private Investment Fund, even though their investment objectives may be the same or similar.



Since the Advisers provide investment advice to various Private Investment Funds, including funds that routinely invest in various levels of the same portfolio company's equity and debt securities, there are likely to be conflicts of interest relating to such investments that must be resolved by the Advisers. Where multiple Private Investment Funds invest in different parts of the capital structure of a portfolio company, their respective interests may be conflicting, including in cases where a portfolio company becomes financially distressed. For example, it is possible for both an Equity Fund and a Senior Equity Fund to be simultaneously invested in the same portfolio company that becomes financially distressed. In such a case, ABRY has adopted conflicts policies and procedures that generally provide that determinations are to be made in good faith in the collective best interests of such Funds, and shall promptly notify the Advisory Boards of the applicable Private Investment Funds. The Advisory Boards may then, in their sole discretion and regardless of the recommendation of the Management Company, elect to cause the applicable General Partner to retain such separate legal counsel and/or financial advisors to represent the relevant Fund and advise the General Partner in such matters. It is possible that an Advisory Board member could be a member of the Advisory Board for one or more other Funds involved in an actual or potential conflict transaction. Such member's interests may be different from interests of other Limited Partners and such interests may influence such person's decisions as a member of the respective Advisory Boards.

Further, where a Senior Equity Fund or certain senior equity funds managed by the ABRY II Advisers co-invests with one or more Equity Funds in a portfolio company, pricing and terms of the relevant security must also be accepted by an independent third-party investor, unless the applicable Advisory Board(s) otherwise approves. When more than one Fund invests in a portfolio company, the Advisers will have to determine how to allocate expenses incurred and, if applicable, fees generated in the course of evaluating and making such investments. The Advisers will determine all such matters using their best judgment on a basis they consider equitable.

In certain circumstances, an Equity Fund, or a fund of ABRY II Advisers, may purchase securities from a portfolio company of an existing Equity Fund or a fund of ABRY II Advisers. In such circumstances, to mitigate any potential conflicts of interest, the Advisers will generally seek the approval of the applicable Advisory Board(s) prior to consummating the transaction.

The Senior Debt Funds, as well as in some cases senior debt funds sponsored by ABRY II Advisers, may determine to make senior debt investments in portfolio companies owned by the Equity Funds. This practice may lead to heightened conflicts of interest. For example, an Equity Fund may hold an interest in a portfolio company in which a Senior Debt Fund holds debt securities or of which it is otherwise a creditor. Additionally, in the event that an Equity Fund investment requires additional financing as a result of a portfolio company's financial or other difficulties and the Equity Fund has the potential to incur a loss on such investment as a result, the General Partner or an affiliate could have an incentive to cause another Fund (including a Senior Debt Fund) to invest in such portfolio company even though such investment may not be in the best interest of such Fund. In a bankruptcy proceeding, the Equity Fund's interest may be subordinated or otherwise adversely affected by virtue of such Senior Debt Fund's involvement and actions relating to its debt investment. This may result in a loss or substantial dilution of the Equity Fund's investment, while the Senior Debt Fund recovers all or a portion of its debt investment.

Limited partners may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the applicable General Partner regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, a General Partner generally will consider the investment and tax objectives of the Fund and its Partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

As a result of the Private Investment Funds' controlling interests in portfolio companies, an Adviser and/or its affiliates typically have the right to appoint board members to such portfolio companies, 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 an Adviser and/or its affiliates. Such amounts will be in addition to any Management Fee or carried interest paid by a Fund to an Adviser and/or its affiliates.

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

An Adviser generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) such Adviser or a related person of the Advisers (which may include another portfolio company of the Funds) or (ii) an entity with which an Adviser or its affiliates or current or former members of their personnel has a relationship or from which an Adviser or its affiliates or their personnel otherwise derives financial or other benefit. This subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with their operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, an Adviser may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that an Adviser, 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 the Advisers have a relationship or receive 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.

Although uncommon, from time to time ABRY may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, or otherwise combines its portfolio company with a portfolio company held by, other Funds managed by ABRY, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Partnership Agreements or otherwise in the sole discretion of ABRY, ABRY may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain cases, a Fund may hold a minority interest in a portfolio company and accordingly may not have control or veto rights to permit a cross-fund transaction involving such portfolio company, even if such Fund's advisory board did not provide the relevant consent (see "Lack of Unilateral Control" above). In certain circumstances, ABRY may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. ABRY intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although ABRY generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, ABRY intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements

An Adviser and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by the Adviser and/or its affiliates; conversely, current or former personnel or executives of the Advisers and/or their affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Advisers. Similarly, the Advisers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these

persons. 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, the Advisers and/or their affiliates, and/or the Funds or other investment vehicles they advise. An Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such 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 one or more Funds, will provide the Adviser information about markets and industries in which such Adviser operates (or is contemplating operations) or will provide other services that are beneficial to such Adviser or its affiliates. The Advisers may have a conflict of interest in making such recommendations, in that an Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

In certain circumstances, current or former ABRY personnel may serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities. These arrangements have a potential for conflicts of interest. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to ABRY at the end of such secondee arrangement.

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

In addition, as described above, portfolio companies may from time to time pay certain fees to or reimburse the Advisers or the Funds for the expenses of third party consultants (including consultants introduced or arranged by an Adviser or its affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies), and such fees will not offset the Management Fee as described herein. Such consultants may make use of the Advisers' resources or otherwise be associated with the Advisers. The Advisers seek to reduce any potential conflicts of interest that may arise from using such consultants by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Funds' limited partners.

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

An Adviser may enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited

to different fee structures or economic terms, information rights, co-investment rights, excuse rights and liquidity or transfer rights.

In certain cases, ABRY may have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, ABRY will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

The Advisers have instituted a program under which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with the Advisers, their affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a group-wide basis. Participants voluntarily participate in the program without cost. The Advisers and their affiliates also participate in the program and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the Management Fee. The Advisers believe the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

Any of these situations subjects an Adviser and/or its affiliates to potential conflicts of interest. The Advisers believe that the significant investment of the Principals in each Fund, as well as the Principals' interests in the carried interest, operate to align, to some extent, the interests of the Principals with the interest of each Fund's limited partners, although the Principals have economic interests in such other Private Investment Funds and investments as well and may receive management fees and carried interests relating to these interests.

#### **DISCIPLINARY INFORMATION**

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

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

The Management Company is affiliated with the following ABRY investment advisers subject to the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance: ABRY Capital Partners, L.P.; ABRY V Capital Partners, L.P.; ABRY VI Capital Partners, L.P.; ABRY Mezzanine Investors, L.P.; ABRY Senior Equity Investors II, L.P.; ABRY Senior Equity Investors III, L.P.; ABRY ASF Investors, L.P.; ABRY ASF Investors II, L.P.; ABRY Investment GP, LLC; ABRY Senior Equity Co-Investment GP, LLC; and ABRY Senior Equity Co-Investment GP III, LLC.

These advisers are the General Partners. These affiliated investment advisers operate as a single advisory business together with the Management Company and serve as managers or general partners of private investment funds and other pooled vehicles and may share common

owners, officers, partners, employees, consultants or persons occupying similar positions. Paradigm Consulting Limited and Paradigm USA Consulting, Inc. (“**Paradigm**”) are owned by Andrew Banks, the co-founder of the Management Company. Paradigm and the Management Company have an arrangement whereby Paradigm, through Andrew Banks, provides certain consulting and other services to the Management Company and the General Partners for a fee.

The Management Company is affiliated with (i) ABRY Partners II, a separate management company registered with the SEC under the Advisers Act, and (ii) each of ABRY Partners VII Co-Investment GP, LLC; ABRY VII Capital Partners, L.P.; ABRY Partners VIII Co-Investment GP, LLC; ABRY VIII Capital Partners, L.P.; ABRY IX Capital Partners, L.P.; ABRY Senior Equity Investors IV, L.P., ABRY Senior Equity Co-Investment GP IV, LLC; ABRY ASF Investors III, L.P.; and ABRY ASF Investors IV, L.P., which are registered with the SEC under the Advisers Act pursuant to ABRY Partners II’s registration. The Management Company has an arrangement with ABRY Partners II whereby ABRY Partners II provides employees and back offices services to the Management Company and its affiliated General Partners. ABRY II also shares office space with the Management Company. The Management Company reimburses ABRY Partners II for the services it provides.

The Management Company is also affiliated with ABRY UK Limited, an English limited company organized under the laws of England and Wales (“**ABRY UK**”). ABRY UK provides advice to the Management Company and its registered affiliates on behalf of both U.S. and non-U.S. based clients. ABRY UK is not required to be registered under the Advisers Act, but operates in compliance with certain related requirements and undertakings as prescribed by the SEC.

The Management Company’s ultimate principal owner is Royce Yudkoff via an intermediate entity, Stafford Insurance Company, Ltd. (“**Stafford**”), an insurance company regulated by the Financial Services Commission of the Turks and Caicos Islands which is a wholly owned subsidiary of Stafford Financial, LLC, a Delaware limited liability company. Other than its ownership interests in ABRY Funds and the Management Company, the business activities of Stafford are not related to the business activities of the Management Company.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Principals, investment professionals and other employees and addresses conflicts that arise from personal trading. The Code requires ABRY personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to ABRY's Chief Compliance Officer at (617) 859-2959. The Code requires personal securities transactions to be conducted in a manner that prioritizes the Funds' (and any other client's) interests.

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

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

Principals and employees of the Management Company and its affiliates may directly or indirectly own an interest in Private Investment Funds, including through a Co-Investment Fund. To the extent that Co-Investment Funds exist, such vehicles may invest in one or more of the same portfolio companies as the Funds, subject to any limitations set forth in the applicable Partnership Agreements. Each General Partner, directly or indirectly through affiliates, typically commits approximately 1-3% of aggregate commitments to each Fund.

Additionally, the Funds and other Private Investment Funds may invest together with other private investment funds advised by an Adviser and/or its affiliates in the manner set forth in each Fund's Fund Documents and the Adviser's Investment Allocations/Co-Investment Policies. In general, unless otherwise provided for in a Private Investment Fund's organizational documents, (a) no investor in a Private Investment Fund has a right to participate in any co-investment opportunity, (b) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Advisers or, in certain instances, in consultation with other participants in the applicable transaction, (c) co-investment opportunities may be offered to some and not other investors in Private Investment Funds in the sole discretion of the Advisers and (d) certain persons other than investors in the Funds (e.g., third parties) will, from time to time, be offered co-investment opportunities in the sole discretion of Advisers.

The Advisers' policies and procedures permit it to take into consideration a variety of factors in making determinations with respect to allocating co-investment opportunities. These factors include, without limitation, (i) expressed interest in co-investment opportunities by the prospective co-investor, (ii) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity, (iii) past experiences with the potential co-investor, including the potential co-investor's willingness and ability to respond promptly and/or affirmatively to prior co-investment opportunities, (iv) the

size, sophistication and financial resources of the potential co-investor and its ability to efficiently and expeditiously participate in the investment opportunity, (v) whether the profile and characteristics of the potential co-investor may have an impact on the viability or terms of the investment opportunity and the ability of a Fund to take advantage of such investment opportunity, (vi) potential strategic benefits to the portfolio company if a potential co-investor participates (e.g., by virtue of such co-investors experience, expertise, knowledge, relationships or other criteria deemed relevant by the Advisers) and (vii) any other reason for including a potential co-investor as determined in the sole discretion of the Advisers. The Advisers' allocation of co-investment opportunities among investors may not, and often will not, result in proportional allocations among investors that have expressed interest in co-investment opportunities.

### **BROKERAGE PRACTICES**

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

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

The Advisers have 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 eligible brokers' transaction fees and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, the Advisers 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 the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Management Company generally does not make use of such services at the current time and has not made use of such services since its inception. As a general matter, any such research may be shared between the Advisers and their affiliates and may be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the



brokerage commission being applied toward payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage 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. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several Private Investment Funds at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund is favored over any other Private Investment Fund.

### **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest. The Principals bear and each Fund’s Investment Committee (or equivalent body) bears the primary responsibility for confirming that each Adviser manages a private fund in accordance with the private fund’s investment objectives and guidelines. ABRY’s Chief Compliance Officer periodically will check to confirm that each private fund is being managed in accordance with its stated objectives.

Each Fund generally provides to its limited partners: (i) annual GAAP audited and quarterly unaudited financial statements and (ii) annual tax information for each limited partner’s tax return.

In addition to the information typically provided to all limited partners, the Advisers may in certain circumstances (e.g., in connection with a co-investment opportunity) provide certain investors with additional information with respect to a Fund or a portfolio company or more frequent reports that other investors will not necessarily receive. For example, due to the fact that potential investors in a Fund may ask different questions and request different information, the Advisers may provide certain information to one or more prospective investors that the Advisers do not provide to all prospective investors.

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

The Advisers and their affiliates may enter into placement agreements or solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming an investor in a Private Investment Fund. When the Advisers enter into such agreements or arrangements, they generally expect that any fees payable to any such placement agents would generally be borne by the Advisers directly or indirectly through an offset against the applicable Private Investment Fund’s Management Fee.

The Management Company and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement, a portion of this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund.

### **CUSTODY**

The Advisers maintain custody of each Fund's assets held in each Fund's name with Citi Private Bank (Citibank, N.A.), a qualified custodian. The Funds are generally subject to a year-end audit by a major accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board. Each Fund's audited financial statements are provided to the investors in the Fund within 120 days of the Fund's fiscal year end.

### **INVESTMENT DISCRETION**

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

### **VOTING CLIENT SECURITIES**

The Advisers have adopted the ABRY Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds' investors through the Principals' beneficial ownership interests in the Funds and therefore generally do not expect to seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of the Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by ABRY personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. Current and prospective investors who would like a copy of the Advisers' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact ABRY's Chief Compliance Officer at (617) 859-2959, and such information will be provided at no charge.

## **FINANCIAL INFORMATION**

The Advisers do 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.