

Item 1 – Cover Page

**Form ADV Part 2A: FIRM BROCHURE**



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This Brochure provides information about the qualifications and business practices of May River Capital, LLC (“May River”). If you have any questions about the contents of this Brochure, please contact us at (312) 750-1781 or [sgriesemer@mayrivercapital.com](mailto:sgriesemer@mayrivercapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

May River is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. Additional information about May River is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since the filing of May River’s last annual updating amendment on March 30, 2018, the Firm has moved offices. The Firm’s new office address is One North Wacker Drive, Suite 1920, Chicago, Illinois 60606.

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#### Item 4 – Advisory Business

Founded in 2012, May River Capital, LLC, an Illinois limited liability company (“May River” or the “Firm”), is a Chicago-based private equity firm focused on making control equity investments in small, high-caliber, industrial growth businesses that have the potential to be transformed into larger, more valuable enterprises. The Firm concentrates on companies headquartered in North America and generally targets investments in companies that engage in high-value manufacturing and/or provide engineered products, industrial services and value-added industrial distribution. May River has a particular interest in acquiring entrepreneur and family-owned companies where it represents the first institutional capital invested in the business, allowing the Firm to make a significant and positive impact by leveraging its operational and strategic expertise and that of its network.

May River’s clients include the following investment platforms and private funds: Hi-Tech Holdings, LLC (“Hi-Tech”); Industrial Valve Holdings, LLC (“Industrial Valve”); Pack Component Acquisition Co., LLC (“Pack Component”); Pride Engineering Holdings, LLC (“Pride Engineering” and together with Hi-Tech, Industrial Valve and Pack Component, the “Pre-Fund Investments”); and May River Capital Fund I, LP (“Fund I” and collectively with the Pre-Fund Investments, the “Clients”). May River may in the future form special purpose vehicles to co-invest alongside Fund I in a particular portfolio company.

May River is the manager of the Pre-Fund Investments (the “Manager”). The general partner of Fund I (“General Partner”) is affiliated with May River and is deemed to be a relying adviser with authority to make investment decisions on behalf of Fund I. May River and the General Partner are registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), pursuant to May River’s registration in accordance with SEC guidance. While the General Partner maintains ultimate authority over Fund I, May River has been delegated the role of investment adviser.

May River provides investment advisory services as a private equity fund manager to its Clients. Interests in the Clients generally are privately offered to qualified investors in the United States and elsewhere. May River’s investment advisory services to the Clients consist of identifying and evaluating investment opportunities and negotiating the terms of purchase and sale of investments. When such investments consist of portfolio companies, the senior principals or other personnel of May River will generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Clients.

May River does not tailor its advisory services to the individual needs of investors in its Clients; the Firm’s investment advice and authority for each Client is tailored to the investment objectives of that particular Client. These objectives are described in the private placement memorandum, limited liability company and/or limited partnership agreements, as applicable, management services agreement and other governing documents of the relevant Client (collectively, “Governing Documents”). For Fund I, the Firm does not seek or require investor approval regarding each

investment decision. For the Pre-Fund Investments, investors fund a specific amount of capital in each deal and receive a right of first refusal for follow-on investments in an amount pro rata to their committed capital.

Underlying investors in each Client generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letters agreements. Moreover, investors in Fund I participate in the overall investment program for Fund I, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. May River has entered into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing, a Client's Governing Documents. Once invested in a Client, investors generally cannot impose additional investment guidelines or restrictions on such Client.

May River does not participate in wrap fee programs.

As of December 31, 2017, May River manages approximately \$422,210,000 in Client assets, all managed on a discretionary basis. May River does not manage any investments on a non-discretionary basis.

May River is owned equally by its three principals: Charles Grace, Daniel Barlow and Stephen Griesemer. For more information about May River's owners and executive officers, see May River's Form ADV Part 1, Schedule A.

## **Item 5 – Fees and Compensation**

As compensation for investment advisory services rendered to Fund I, May River receives a management fee and is allocated carried interest. May River's compensation for its advisory services rendered to the Pre-Fund Investments does not include a management fee, but does consist of a carried interest and portfolio company fees. The following is a general description of fees, compensation and expenses for each Client. Differences exist between Clients, and certain Clients may not be charged certain fees, compensation or expenses that other Clients charge. In addition, the General Partner and/or Manager of each relevant Client may, in its sole discretion, waive or reduce an investor's management or carried interest allocation. May River entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Clients, as described more fully below (e.g., annual portfolio company fees, closing consulting fees and other fees). For Fund I, such additional compensation generally will reduce in part the management fees otherwise payable to May River. Investors also bear certain expenses, as described below. Investors should refer to the Governing Documents of the applicable Client for a complete understanding of how May River is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents. Each Client's Governing Documents describe fees, compensation and expenses in greater detail.

## **Management Fees**

May River charges a management fee (the “Management Fee”) to investors in Fund I. For the Fund I investors, the Management Fee is generally 2% per annum. Fund I’s Management Fees are initially calculated based upon each investor’s committed capital for the period of time during which Fund I is making investments; thereafter, the Management Fee will be equal to a percentage of each investor’s outstanding invested capital, subject to various other factors. Management Fees were negotiated with Fund investors during the fundraising period of the applicable Client and are not subject to negotiation thereafter. For the Pre-Fund Investments, no management fee is charged to investors with respect to committed or invested capital.

Management Fees may differ among investors in Fund I. Such differences can arise from the size of an investor’s commitment to Fund I, different investor classes, provisions of side letter agreements or other negotiated terms. Fees are generally waived for May River employees and affiliates investing in Fund I.

Management Fees are non-refundable and are generally paid on a quarterly basis in advance. Management Fees and other fees (as described below) are paid either as a result of a capital call notice to investors, as a portfolio company expense, as a Client expense or deducted from distributions to investors. The Clients are closed-ended investment vehicles intended for a long-term investment. Accordingly, Management Fees are expected to be paid, except as otherwise described in the relevant Governing Documents, and investors generally are not permitted to withdraw or redeem interests in any Client.

## **Management Fee Offset**

With respect to Fund I, the Management Fee payable in any quarterly period shall be reduced by an amount equal to the aggregate amount of all any placement or finders’ fees and expenses paid by the Fund I to third parties in connection with the organization or funding of Fund I and any organizational expenses paid in excess of \$750,000 or reimbursed by Fund I during the immediately preceding quarterly period. In addition, the Management Fee payable in any quarterly period will be reduced by 80% of the sum of all (i) directors fees and other similar fees paid to the General Partner or its affiliates with respect to any Fund I investment, (ii) breakup fees with respect to Fund I transactions not completed that are paid to the General Partner or its affiliates, and (iii) closing consulting fees, monitoring fees and consulting or advisory fees paid to the General Partner or its affiliates with respect to any Fund I investment; provided, that such amounts shall not include any amount received by any person from a portfolio company as reimbursement for out-of-pocket expenses directly related to such portfolio company, as payment for services provided to any portfolio company in the ordinary course of such portfolio company’s business, or as compensation for services provided by a person as an employee of, or in a similar capacity for, such portfolio company; provided further that the Management Fee shall be reduced by 100% beginning the first quarterly period after all such fees exceed \$7.3 million on a cumulative basis. In the event that the amount of breakup fees, directors

fees, closing consulting fees and monitoring fees to be offset against the Management Fee exceeds the Management Fee for the immediately succeeding quarterly period, the excess shall be carried forward to reduce the Management Fee payable in following periods. If Fund I and an existing or subsequent investment fund is formed or any of its members have co-invested (or committed to co-invest) in a portfolio company or potential portfolio company, any breakup fees, directors fees, closing consulting fees, monitoring fees, consulting or advisory fees will be allocated between Fund I and such other funds in proportion to the cost of securities in such portfolio company or potential portfolio company held (or committed to be held) by each or, with the approval of the advisory committee, in such other manner as the General Partner and the governing bodies of such other funds may mutually agree.

The Pre-Fund Investments have no Management Fee offsets since no Management Fees are charged to investors.

### **Carried Interest**

As described in Item 6 below, each Manager and the General Partner is entitled to be allocated carried interest (“Carried Interest”) with respect to their respective Clients, which generally equals a specified percentage of realized profits net of all expenses and may be subject to preferred return and catch-up provisions. Each Client’s Carried Interest arrangement differs, and each calculation is further described in the relevant Client’s Governing Documents.

### **Expenses**

With respect to Fund I, Fund I is responsible to pay for all costs, liabilities, obligations and expenses relating to its activities, investments and business that are not paid or reimbursed by portfolio companies, including, without limitation: (i) the Management Fee; (ii) all out-of-pocket fees and expenses incurred by the Fund, the General Partner, May River, its affiliates or any member of the Executive Resource Group (as defined below) relating to investment and disposition opportunities for Fund I which are not consummated by Fund I (including, without limitation, legal, accounting, auditing, consulting, and other third party fees and expenses, financing commitment fees, real estate title and appraisal costs, and other due diligence expenses); (iii) costs and expenses associated with the structuring, organization, acquisition, management, operation, financing, holding, monitoring, liquidation, and disposition of Fund I’s investments (including, without limitation, interest and fees on money borrowed by Fund I, the General Partner or May River on behalf of Fund I, registration expenses and brokerage, finders’, custodial and other fees); (iv) premiums and expenses for insurance protecting Fund I, the General Partner, May River, any of their respective affiliates, members of the advisory committee and any of their respective officers, directors, members, partners, employees and agents from liabilities to third parties in connection with Fund I’s affairs (including directors and officers and errors and omissions liability insurance); (v) legal, accounting, auditing, appraisal, consulting, financing, custodian and brokerage fees and other fees and expenses, if any; (vi) expenses associated with the preparation and delivery of Fund I’s financial statements, tax returns, Schedule K-1s and other reports or information to be delivered to the investors (including, without limitation,

costs of development and maintenance of a secure website and electronic reporting) and any administrative, regulatory or other reporting or filing directly attributable to Fund I; (vii) all unreimbursed out-of-pocket fees and expenses incurred by Fund I, May River, its affiliates or any ERG member relating to any conferences or meetings of Fund I's advisory committee and annual conferences or meetings of the investors; (viii) other expenses associated with the acquisition, holding, and disposition of Fund I's investments, including extraordinary costs, expenses and liabilities of Fund I, if any (such as litigation, indemnification costs and expenses, judgments and settlements, if any); and (ix) taxes, fees and other governmental charges levied against Fund I. Except for costs and expenses paid by portfolio companies, the General Partner and May River are responsible for their own administrative and overhead costs and expenses, including without limitation, compensation of employees, rent, utilities, and office and equipment expenses. Fund I expenses do not include any organizational expenses in excess of \$750,000, placement fees or ordinary overhead and administrative expense not described above incurred by May River or its affiliates.

With respect to the Pre-Fund Investments, each Pre-Fund Investment will reimburse May River for travel and other incidental expenses incurred in connection with the performance of May River's respective duties under the Governing Documents.

### **Organizational Expenses**

Each Fund I investor will bear its pro rata share of the Fund I's, the General Partner's and its affiliates' organizational and startup expenses, not to exceed \$750,000, including, without limitation, legal, accounting, filing, printing, travel, capital raising, regulatory compliance and any other administrative or other filings and other organizational expenses ("Organizational Expenses"). The General Partner will bear the cost (through an offset against the Management Fee or otherwise) of all Organizational Expenses in excess of \$750,000, if any, and of any placement agent fees incurred in connection with the formation of Fund I.

There is generally no reimbursement for Organizational Expenses by Pre-Fund Investment investors.

### **Pre-Fund Investment Fees**

In accordance with the Governing Documents, May River receives an annual portfolio company fee ("portfolio company fee") paid directly by each Pre-Fund Investment that consists of a flat fee ranging from \$175,000 to \$400,000 depending on the investment. In certain instances, a portfolio company fee may be increased annually to the extent the underlying portfolio company completes an add-on acquisition.

Further, at the original closing of Pre-Fund Investments, some Pre-Fund Investments paid May River an up-front consulting fee ("closing consulting fees") ranging from \$150,000 to \$260,000 in compensation for certain consulting work performed and to be performed in the future by May River. In addition, from time to time, under certain circumstances, May River has and may continue to



receive additional closing consulting fees in connection with certain to follow-on acquisitions completed by a Pre-Fund Investment.

### **Fund I Investment Fees**

May River receives directors fees, breakup fees, closing consulting fees, monitoring fees, consulting fees, advisory fees or other remuneration, the amount of which are paid by Fund I investors (directly, or indirectly by the portfolio companies) and are determined by May River on a transaction by transaction basis, subject to the terms set forth in each Client's Governing Documents. Closing consulting fees are generally calculated based on the total enterprise value of the portfolio company involved in the transaction, while monitoring fees are determined based on the complexity of the transaction and the associated portfolio company. Closing consulting fees are payable upon consummation of a portfolio transaction while monitoring fees are generally payable quarterly in advance. May River does not accelerate monitoring fees.

All such fees received are offset in part (80%) against the Management Fee in the case of Fund I up to an aggregate of \$7.3 million and above such cumulative amount such fees are offset at 100%. However, any reimbursement by a portfolio company of out-of-pocket expenses incurred by May River, a General Partner or their respective affiliates will not be offset against the Management Fee payable by Fund I. For example, each portfolio company typically pays for or reimburses May River for the travel of May River employees and Executive Resource Group members to visit such portfolio company.

From time to time, May River may (in its sole discretion), agree to pay a closing consulting fee, portion of Carried Interest or other fee received from an actual or prospective portfolio company to a third party, such as an Executive Resource Group member, consultant, adviser, finder, broker and/or investment bank. In such event, the third party fee is not a fee that May River is entitled to retain and, therefore, May River is not required under the terms of the applicable organizational documents to share such third party fees with any Client.

### **Executive Resource Group Expenses**

May River and its affiliates engage and retain operating executives and other similar professionals (collectively, the "Executive Resource Group" or "ERG") or affiliates of May River to provide services to (or with respect to) the Clients or certain current or prospective portfolio companies in which the Clients invest. The ERG is comprised of a diverse group of industrial oriented business executives who have held a variety of leadership positions. ERG members make a meaningful impact through all phases of May River's investment process, including sourcing new investment opportunities, building relationships and credibility with target company management teams, due diligence and analysis, investment thesis and strategy development, company management, board of director activities, and discreet major projects (e.g., operational initiatives, add-on acquisitions, and business development).

The nature of the relationship with each of the ERG members and the amount of time devoted or required to be devoted by them varies considerably. There can be no assurance that any of the ERG members will continue to serve in such role and/or continue their arrangement with May River and/or any portfolio company throughout the terms of the Clients.

ERG members are not employees of May River and do not receive regular compensation from May River; however, ERG members may receive certain types of compensation, including, but not limited to, closing consulting fees or a profits or equity interest in a portfolio company. ERG members typically incur expenses while working with Client portfolio companies, and such expenses are paid or reimbursed by either May River, the relevant portfolio company or the relevant Client. May River may appoint an ERG member to serve on the board of a May River portfolio company, and any fees for board service received by an ERG member will not be deemed paid to or received by May River and thus will not be subject to the fee offset arrangements described above. ERG members are also reimbursed for the cost of their travel to and from portfolio company board meetings and other portfolio company business and such expenses are generally borne by the relevant portfolio company which the ERG member is advising but may also be paid by the relevant Client. In such circumstances, such amounts will not be deemed paid to or received by May River and its affiliates and such amounts will not be subject to the fee sharing arrangements described above.

### **Allocation of Fees and Expenses**

May River will allocate fees and expenses to be borne by the Pre-Fund Investments and the Clients in accordance with the Governing Documents or, to the extent the Governing Documents do not expressly provide for a method of allocation, as determined by May River in good faith and in its fair and reasonable discretion in accordance with its internal policies and procedures.

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

A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Clients it manages. As described above in Item 5, with respect to Fund I, the General Partner receives a Carried Interest allocation on certain realized profits in Fund I equal to 20% of all realized profits subject to an 8% annually compounded preferred return (or hurdle) and subject to reimbursement of all relevant Fund I expenses, including Management Fees. The Fund I performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

With respect to Pre-Fund Investments, the Manager receives a Carried Interest that was negotiated on a deal-by-deal basis, ranging from 10% to 20% of all realized profits (depending on the level of cash on cash return achieved) subject to an 8% annually compounding preferred return (or hurdle) and in some cases reimbursements of certain expenses. Each Client's Carried Interest calculation is

further described in the relevant Governing Documents. The General Partner and/or Manager, as the case may be, may, in its sole discretion, waive or reduce the amount of Carried Interest for an investor in Fund I or a Pre-Fund Investment. Specifically, if portfolio company employees or ERG members are investors in a Client they will generally pay reduced Carried Interest or none at all.

The fact that the General Partner's and/or Manager's Carried Interest allocations are based on the performance of each Client may create incentive for May River to make investments that are more speculative than would be the case in the absence of such distributions. This incentive is mitigated, however, due to the fact that any losses the Clients sustain will reduce the General Partner's and/or Manager's Carried Interest distribution and the fact that Carried Interest is calculated only after investors have received as distribution 100% of their capital contributions plus a preferred return.

May River's policies and procedures for the allocation of investments are determined by the respective Client's investment committee and monitored by May River's Chief Compliance Officer.

### **Item 7 – Types of Clients**

May River provides investment advice to each of the Pre-Fund Investments and Fund I. May River's Clients generally limit their respective investors to persons who are both "accredited investors" as defined in the Securities Act of 1933, as amended (the "Securities Act") and "qualified clients" and/or "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"). Investors in the Clients must meet certain suitability and net worth qualifications prior to making an investment in the Clients. The Clients are not registered or required to be registered under the Investment Company Act; its securities are not registered or required to be registered under the Securities Act and are privately placed to qualified investors in the United States and elsewhere. Fund I typically requires capital commitments from each investor of at least \$1 million in the case of an individual investor and \$5 million for an institutional investor, although commitments of less than these amounts have been accepted in the discretion of Fund I's General Partner. The requirements for investors in Pre-Fund Investments differ by entity.

The investors participating in the Clients include individuals, other investment entities, university endowments, family offices, trusts, fund of funds, charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of May River and its affiliates and members of their families, advisory committee members or other service providers retained by May River.

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

May River's Clients have been established to make control equity investments in profitable companies that engage in high-value manufacturing and/or provide engineered products, industrial services and value-added industrial distribution. The Clients have and will generally target equity investments

ranging from \$10 million to \$30 million in companies with enterprise values between \$15 million and \$75 million and EBITDA of at least \$3 million. The core of May River's investment strategy is providing first institutional capital to small market industrial businesses that are niche market leaders with strong franchise value. May River looks to invest in excellent management teams and companies that have the potential for significant growth and value enhancement.

A key factor in May River's successful origination process is the use of the ERG to assist in developing top-down sector themes and identifying and cultivating relationships with companies outside of the formal sale process. May River's origination process typically begins with the use of the Firm's ERG to assist in developing sector themes, establishing specific target company attributes and characteristics, and identifying and cultivating relationships with target companies. The Firm then engages with targeted, best-of-breed buy-side search and other strategic sector contacts to identify companies and establish direct contact with business owners and management teams.

The applicable Governing Documents of Fund I set forth more detailed descriptions of the Fund's investment strategies and methods of analysis. There can be no assurance that May River will achieve the investment objectives of a particular Client and a loss of investment may be possible.

## **Risk Factors**

An investment in any Client involves a high degree of risk, including the risk of a partial or total loss of capital, and investors must be prepared to bear capital losses which might result from investments. An investment in each Client is speculative, illiquid and long-term in nature, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment with May River. Investors in Fund I should also refer to the Governing Documents for a description of the risk factors specific to their investment. Risks and potential conflicts of interest include, but are not limited to, the following:

*Competition for Investments.* Fund I expects to encounter competition from other entities having similar investment objectives. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and more personnel than Fund I, its General Partner or its affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to Fund I and adversely affecting the terms upon which portfolio investments can be made. There can be no assurance that Fund I will be able to identify or consummate portfolio investments satisfying its investment criteria, that Fund I will be able to invest fully its committed capital or that such investments will satisfy Fund I rate of return objective.

*Ability to Manage Rapid Growth.* The Clients expect many of their respective portfolio companies to grow rapidly. Rapid growth often places considerable operational, managerial and financial strain on a business. To successfully manage rapid growth, each Client's portfolio company/companies must, among other things, rapidly improve, upgrade and expand their business infrastructures, deliver services and products on a timely basis, maintain levels of service expected by clients and customers, and maintain adequate levels of liquidity. The financial returns of a Client will suffer if such Client's portfolio company/companies are unable to successfully manage their growth.

*Need for Follow-On Investments.* Given each Client's investment strategy of investing in platform company/companies, each Client intends to provide additional funds to its platform company/companies in order to make add-on acquisitions. In addition, a Client may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Clients will be able to make follow-on investments or that any Client will have sufficient capital to make all of the follow-on investments that it desires. Any decision by a Client not to make a follow-on investment or its inability to make such investments may have a substantial negative impact on a platform or portfolio company in need of such investment or may result in a lost opportunity for a Client to increase its participation in a successful portfolio investment.

*Ability to Successfully Exit Investments.* The ability of a Client to achieve successful and profitable exits of its portfolio investment(s) may be impacted by a number of factors prevailing at the time, including general economic conditions, interest rates, availability of capital, interest levels of strategic and financial buyers, and cyclical trends in particular industry segments. It is difficult to predict with any certainty whether there will be a ready and willing market of buyers for any particular portfolio company at the time a Client seeks a realization.

*Projections are Only Estimates.* A Client will generally determine the appropriate capital structure of each portfolio company in which such Client invests based upon financial projections for that company. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. Also, general economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections.

*Operating and Financial Risks of Portfolio Companies.* Companies in which the Clients invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which the Clients expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

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

*Refinancing Risks.* In circumstances where the General Partner and/or the Manager intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of Fund I and/or a Pre-Fund Investment having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

*Investments Longer than Term.* A Client may make or have made investments which may not be advantageously disposed of prior to the date such Client will be dissolved, either by expiration of the Client's term or otherwise. Although the General Partner and/or Manager expects the investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and although the General Partner and/or the Manager has a limited ability to extend the term of any Client, a Client may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of a Client, the General Partner and/or the Manager (or the relevant liquidator of such) will be required to use reasonable efforts to reduce to cash and cash equivalents and such assets of the Client as the General Partner, the Manager or such liquidator (as applicable) shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations (including legal restrictions on the ability of an investor to hold any assets to be distributed in kind), over such time as is reasonably necessary to settle gradually and close such Client's business under the circumstances then applicable to such Client, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.

*Illiquidity of Portfolio Investments.* The Clients' respective investments in portfolio companies generally will be illiquid and not readily marketable, and the transferability of such investments generally will be restricted under the terms of the documents governing such investments. There can be no assurance that any Client will be able to liquidate a particular interest in any portfolio company at the time and upon the terms it desires. Less marketable or illiquid investment positions may be more difficult to value than more marketable assets, due to the unavailability of reliable market quotations and other factors. The ability of the Clients to successfully exit and achieve liquidity on its investments is dependent in large part on the condition of and valuations available in the public equity markets and valuations available in private negotiated transactions at the time, neither of which can be projected with any certainty. The sale of less marketable securities or other assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. The disposition of illiquid assets may involve distributions in kind to the investors.

*Use of Leverage.* Each Client 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 companies not rated by credit agencies. While investments in leveraged companies offer the opportunity to improve rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are 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 company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Clients' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Clients' 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, the respective Client may suffer a partial or total loss of capital invested in such portfolio company, which could adversely affect the returns of a Client overall. Additionally, lenders would typically have a claim that has priority over any claim by a Client to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time a Client determines that it is desirable to sell all or a part of a portfolio company, a Client may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, a Client may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect such Client's ability to generate attractive investment returns for the Client as a whole. Any failure by lenders to provide previously committed financing could also expose a Client to potential claims by sellers of businesses which a Client may have been contracted to purchase.

*Non-Controlling Investments.* The Clients may hold meaningful minority stakes in privately held companies and in some cases, may have limited minority protection rights. In addition, during the process of exiting investments, the Clients at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Client may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Client holds a minority stake, it may be more difficult for the Client to liquidate its interests than it would be had the Client owned a controlling interest in such company. Even if a Client has contractual rights to seek liquidity of its minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Client, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

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

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or a Client, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at May River or one of its service providers holding its financial or investor data, May River, its affiliates or the Clients may also be at risk of loss, despite efforts to prevent and mitigate such risks.

*Portfolio Concentration.* Although generally no more than 20% of Fund I's aggregate commitments will be invested in any single portfolio company (including any bridge financings), diversification is not a requirement of Fund I. Accordingly, Fund I's portfolio investments may include a small number of large positions. While this portfolio concentration may enhance total returns to investors, if any large position has a material loss, then returns to the investors may be lower than if they had invested in a well-diversified portfolio. Similarly, because Pre-Fund Investments are concentrated into a single platform investment, any loss would result in greater risk and loss than if an investor had invested in a well-diversified portfolio.

*Risk of Limited Number of Investments.* Because each Client may only make a limited number of investments, and more specifically, in the case of the Pre-Fund Investments, a single platform investment, and such investments generally will involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to investors. Other than as set forth in the Governing Documents, investors have no assurance as to the degree of diversification of a Client's investments, either by geographic region, asset type or sector. To the extent a Client concentrates portfolio investments in a particular issuer, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of a Client may



be adversely affected by the unfavorable performance of one or a small number of portfolio investments or in the case of the Pre-Fund Investments, its sole investment. Moreover, because it is not reasonable to expect all of Fund I's investments to perform well or even return capital, for Fund I to achieve above average returns one or a few of its investments must perform very well. There are no assurances that this will be the case.

*Unspecified Investments.* Clients begin operations following the initial closing and an investor must rely upon the ability of the General Partner and/or Manager and May River to identify, structure and implement investments (including, add-on investments) consistent with each Client's investment objectives and policies. A Client, however, may be unable to find a sufficient number of attractive opportunities or follow-on investments to meet its investment objectives. The success of a Client will depend on the ability of the General Partner and/or Manager and May River to identify suitable investments or follow-on investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of such investments. Furthermore, to the extent the investment strategy of a Client relies upon the recovery, stabilization or improvement of market and economic conditions and such events do not occur for an extended period of time, such Client may not be able to invest a significant portion of its commitments during the commitment period of the Client.

*Hedging Policies/Risks.* A Client may employ hedging techniques in connection with the acquisition, holding, financing, refinancing or disposition of portfolio investments, and portfolio companies themselves may also utilize hedging techniques in order to enhance returns. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks, such as counterparty default, bankruptcy or insolvency, convergence and other risks all related with derivative instruments. Thus, while a Client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodity prices, currency exchange rates and/or other events relating to such hedging transactions may result in a poorer overall performance for a Client than if it or its portfolio companies had not entered into such hedging transactions. Notwithstanding the foregoing, a Client will not be required to hedge currency fluctuations or interest rate risks.

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

*Executive Resource Group.* As mentioned in Item 5 above, it is May River's practice to retain certain ERG members to provide services to (or with respect to) the Clients or certain current or prospective portfolio companies in which the Clients invest. ERG members generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies,

including operational aspects of such companies. These services may also include serving in management or policy-making positions for portfolio companies. ERG members are not employees of May River and do not receive regular compensation from May River; however, ERG members may receive certain types of compensation from the portfolio companies, including, but not limited to, closing consulting fees or a profits or equity interest in a portfolio company. No such compensation received by the ERG members will offset Fund I's Management Fee.

*Reliance on General Partner and/or Manager and May River.* Decisions made with respect to the management of the Clients will be made by the General Partner and/or Manager, as applicable, and May River. The General Partner, the Manager and May River will have exclusive responsibility for the Clients' respective activities and, other than as set forth in the Governing Documents, investors will not be able to make investment or other decisions with respect to the management of any Client. The success of a Client will depend on the ability of the General Partner and/or Manager, as applicable, and May River, its principals and a Client's other investment professionals to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of the investments of a Client at a profit. The loss of the services of one or more of May River's principals or such other persons could have an adverse impact on the Clients' ability to realize their respective investment objectives. There can be no assurance that each of May River's principals and other investment professionals will continue to be associated with the Clients throughout its anticipated term.

*Portfolio Company Management Team.* Each Client's portfolio company's day to day operations will be the responsibility of such company's management team. Although the General Partner and/or Manager will be responsible for monitoring the performance of each investment and intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor management team, will be able to operate the portfolio company in accordance with a Client's plans or expectations.

*Bridge Financings.* From time to time, a Client may provide interim financing in order to facilitate a portfolio investment on a short term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or refinancing. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in a Client's control, such long-term debt securities may not be issued and such bridge loans may remain outstanding. In such an event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Client.

*Reinvestment.* May River has the right to recall certain capital returned or distributed to the investors under the circumstances set forth in the Fund I Governing Documents. Accordingly, during the term of Fund I, an investor may be required to make capital contributions in excess of its commitment (subject to certain limitations set forth in the Governing Documents), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

*Insufficient Investment Opportunities.* Although May River has been successful in identifying attractive investment opportunities in the past, Fund I may be unable to find a sufficient number of attractive opportunities at appropriate prices to meet its investment objectives. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Fund I investors will be required to pay annual Management Fees during the commitment period based on the entire amount of their capital commitments.

*Agreements with Certain Investors.* The General Partner and/or Manager may enter into a side letter or other similar agreement with a particular investor in connection with its admission to the respective Client without the approval of any other investor, which would have the effect of establishing rights under, altering or supplementing the terms of, or confirming the interpretation of an applicable Client document (including the Governing Documents and any related subscription agreement) with respect to such investor in a manner more favorable to such investor than those applicable to other investors, and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (ii) reporting obligations of the General Partner and/or Manager; (iii) waiver of certain confidentiality obligations; (iv) consent of the General Partner and/or Manager to certain transfers by such investor; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor.

## **Potential Conflicts of Interest**

*Allocation of Investment Opportunities.* Certain conflicts between a Client and its investors, on one hand, and the General Partner and/or Manager (as the case may be) and its affiliates or principals, on the other hand, may arise with respect to the allocation of prospective investment opportunities to affiliates of the General Partner and/or Manager. Although the General Partner and Manager are obligated to present to the respective Client all investment opportunities that they believe in good faith are suitable for and in the best interests of such Client, the General Partner and/or Manager may cause the Client to forego certain investment opportunities in which the General Partner, the Manager, May River and other affiliates may invest, even though such prospective investment opportunities arguably may have been suitable for investment by the Client. Additionally, none of the General Partner, the Manager, May River and other affiliates shall be restricted with respect to follow-on investments in portfolio companies of existing investment vehicles sponsored or managed by May River, any subsequent investment fund, or co-investments with the Clients in amounts representing, in the aggregate, one percent (1%) or less of the aggregate investment by the Clients and any parallel entity in such transaction; provided, that principals of May River shall not be allocated any portion of any such co-investment opportunity.

*Conflicts with Portfolio Companies.* In connection with the equity investments of the respective Clients, officers and employees of the General Partner, the Manager or its affiliates may serve as directors of a portfolio company and in such capacity, will be required to make decisions that consider the best interests of such portfolio company. In certain circumstances, such as situations involving bankruptcy or near insolvency of a portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interests of the Clients and vice versa. Accordingly, in these situations, there will be conflicts of interests between such individual's duties as an officer or employee of the General Partner, the Manager or such affiliate and such individual's duties as a director of such portfolio company.

*Affiliate Transactions.* It is expected that, from time to time, affiliates of the General Partner and the Manager will provide services to the Clients or their respective portfolio companies. In such event, such services will be provided at no greater cost than would be the case if independent third parties were to provide such services. However, normally such services will not be put out for competitive bidding by third parties, and the determination of the competitive cost or rates for such services will be made by the General Partner and/or Manager in its sole discretion.

*Co-Investment.* The General Partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Fund I investors and/or third persons (including members of the ERG, in each case on terms to be determined by the General Partner in its sole discretion). Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the General Partner in its sole discretion, may not be in the best interests of Fund I or any individual investor. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms thereof, the General Partner may consider some or all of a wide range of factors, which may include: the ability of a person to react promptly to co-invest opportunities; any strategic advantages that may result from a person's participation in a co-investment opportunity; a person's commitment to Fund I and/or one or more other funds managed by the General Partner and/or Manager and its affiliates; and/or the likelihood that a person may invest in a future fund sponsored by the General Partner, the Manager or its affiliates. The General Partner may also, in its sole discretion, charge a Management Fee and obtain a Carried Interest in respect of any such co investment.

Co-investments with third parties through partnerships, joint ventures or other entities or arrangements may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of Fund I, may have financial difficulties (which may increase the possibility of default), or may be in a position to take (or block) action contrary to the investment objectives of Fund I. In addition, Fund I may in certain circumstances be liable for actions of its third party co-venturer or partner. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such co-investments, including incentive compensation arrangements.

*Allocation of Expenses.* The General Partner, Manager and their respective affiliates may from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Clients and one or more other investment vehicles sponsored or managed by May River. To the extent such fees, costs and expenses are incurred for the account or for the benefit of multiple Clients, the Clients will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made or proposed to be made by each in respect of the entity to which the expense relates or in such other manner as the General Partner and the Manager consider fair and equitable. Although the General Partner, the Manager and their respective affiliates will endeavor to allocate such fees, costs and expenses on a fair and equitable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Notwithstanding the foregoing, the General Partner, the Manager and their respective affiliates may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.

*Other Fees.* The General Partner, the Manager and their respective affiliates may receive certain cash and non-cash fees from portfolio companies in connection with the purchase, monitoring or disposition of portfolio investments or in connection with unconsummated transactions (*e.g.*, closing consulting, directors, consulting, management, investment banking, advisory, closing, topping, breakup and other similar fees). Except for the offsets discussed in Item 5 above, investors will receive no benefit from such fees.

*Advisory Committee.* The General Partner will appoint one or more investor representatives to its Fund I advisory committee, which has the ability to review and waive compliance with certain provisions of Fund I's Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or may be requested in certain circumstances under the Governing Documents, including certain approvals or consents required by the Advisers Act. Pursuant to the terms of Fund I's Governing Documents, all investors are bound by the determinations of the advisory committee, regardless of whether an investor is represented by a member of the advisory committee. The Governing Documents will provide that to the fullest extent permitted by applicable law, none of the advisory committee members shall owe any fiduciary duties to Fund I or any other investor. Members of the advisory committee may have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory committee for consideration or review. Members of the advisory committee may have various business and other relationships with May River and its members, partners, managers, directors, officers, employees and affiliates. These relationships may influence their decisions as members of the advisory committee. To the extent that an investor is not represented by a member of the advisory committee, such investor will have no influence over matters submitted to the advisory committee for review or approval.

Pre-Fund Investments have their own board of managers on which sits at least one May River principal and at least one investor representative.

*Conflicting Investor Interests.* Investors may have conflicting investment, tax, and other interests with respect to their investments in the Clients, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a result, conflicts may arise in connection with decisions made by the General Partner and/or Manager regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner and/or Managers generally will consider the investment, tax and other relevant objectives of the relevant Client and its investors as a whole, not the investment, tax, or other objectives of any investor individually.

*Illiquidity and Lack of Current Distributions.* An investment in the Clients should be viewed as illiquid, and generally will be neither transferable nor subject to withdrawal prior to termination. There is no market for interests in any Client, and none is expected to develop. Thus, investors may not be able to liquidate their investment, and interests in a Client may not readily be accepted as collateral for a loan. Moreover, interests in a Client are not redeemable and investors may not transfer their interests in any Client without prior consent of the General Partner and/or Manager, as the case may be, which may be withheld for any or no reason, in its sole discretion.

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 expected that dispositions generally will occur a number of years after initial investment. Prior to disposition, there may be no current return on investments. Moreover, the expenses of operating the Clients, including payment of the Management Fees in the case of Fund I, may exceed a Client's current income, thereby requiring payment of expenses through the use of such Client's capital.

*Limited Recourse to the General Partner/Manager.* There are limited circumstances under which the General Partner or the Manager can be held liable to a Client or its investors. Accordingly, it may be difficult for the Client or the investors to pursue any form of action against the General Partner or the Manager.

*Transactions with Investors.* May River may enter into transactions with certain Client investors such as, for example, investors who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Clients and portfolio companies. The terms of these transactions are negotiated on an arm's-length basis; however, May River is subject to a conflict of interest when determining such terms because May River may benefit from retaining such investors' investment in the Clients.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Clients. When estimating fair value, each General Partner and/or Manager (as the case

may be) will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by a General Partner or Manager may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and with respect to Fund I, the calculation of Management Fees.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, May River is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of May River or the integrity of May River management. May River and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

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

May River is not actively engaged in a business other than giving investment advice to its Clients, Fund I, the Pre-Fund Investments and managing the portfolio companies owned by its Clients. Neither May River nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither May River nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

May River does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, financial planning firm, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory services, the Clients or its investors.

As described above in Item 4, May River is affiliated with the Clients' General Partner and Manager, which are deemed registered with the SEC under the Advisers Act pursuant to May River's registration. These affiliated entities operate as a single advisory business together with May River and serve as the General Partner, Manager, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions. These affiliated entities do not have employees of their own.

May River has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services. Some of these professionals provide services to the Clients or their portfolio companies.

May River does not recommend or select other investment advisers for the Clients.

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

### **Code of Ethics**

Pursuant to Rule 204A-1 of the Advisers Act, May River has adopted a written code of ethics (“Code of Ethics”) that sets forth standards of conduct expected of supervised persons and addresses conflicts that can arise from personal trading. The Code of Ethics requires all supervised persons to place Clients’ interests ahead of the Firm’s interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Employees are required to certify to their compliance with the Code of Ethics on an annual basis. Employees of May River who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of Ethics of which they become aware.

May River will provide a copy of its Code of Ethics to any existing or prospective investor upon request to May River’s Chief Compliance Officer, Stephen Griesemer at (312) 750-1781 or [sgriesemer@mayrivercapital.com](mailto:sgriesemer@mayrivercapital.com).

### **Participation or Interest in Client Transactions**

Certain May River employees and family members of May River employees have invested in the Clients through their General Partner, Manager and/or as investors.

May River will not effect any principal or agency securities transactions for Clients without the proper consent of the relevant General Partner, Manager or advisory committee, as applicable. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. In the context of May River’s business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future Fund or selling a portfolio company from one Client to another. An agency transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the



investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. This situation does not apply to May River.

### **Personal Trading**

The personal trading policy for all May River personnel is set forth in May River's Code of Ethics and is acknowledged as received and understood by each supervised person. May River's personal trading policies are designed to ensure that no Client is disadvantaged by the transactions executed by any supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Client. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Under the Code of Ethics, May River employees are required to file certain periodic reports with the Chief Compliance Officer, as required by Rule 204A-1 under the Advisers Act.

May River employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding publicly traded securities or communicating material nonpublic information about such securities to others. The Firm maintains a restricted list regarding issuers about whom it has material nonpublic information. Pre-clearance is required by supervised persons for certain personal securities transactions, including restricted list securities, initial public offerings and certain limited offerings. In addition, supervised persons are required to submit their brokerage account statements to the Chief Compliance Officer for review.

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

### **Item 12 – Brokerage Practices**

May River focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions. In privately negotiated transactions, best execution is met by the consummation of the deal with the best possible terms for the Client.

Whether for private or public securities transactions, May River selects a broker-dealer or investment banker with the overall aim of maximizing returns for the Client. In selecting a broker, dealer or investment banker to execute Client transactions, May River 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) gross compensation paid to the broker.

Although May River generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker may thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

May River does not receive research or other soft dollar benefits in connection with securities transactions for the Clients, does not receive Client referrals in connection with selecting or recommending broker-dealers for the Clients, does not engage in directed brokerage and does not aggregate the purchase or sale of securities for Client accounts.

### **Item 13 – Review of Accounts**

The investment portfolios of each Client are generally private, illiquid and long-term in nature and accordingly May River's review of them is not directed toward a short-term decision to dispose of securities. May River closely monitors the portfolio companies of its Clients and maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews each Client's portfolios on an on-going basis. These reviews include, without limitation, sales trends, margins, profitability, debt to equity ratios, material business developments, competitive landscape and management. The team generally includes at least one principal as well as other investment professionals of May River.

The Chief Compliance Officer would perform additional reviews in the event that a portfolio company needed subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue.

May River provides (or will, in the case of Fund I) investors on behalf of each of its Clients: (i) audited financial statements prepared in accordance with generally accepted accounting principles ("GAAP"), accompanied by the report of its independent certified public accountants within 120 days of fiscal year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) tax information necessary for the completion of tax returns (K-1s); and (iv) descriptive investment information for each portfolio company each quarter. All reports are sent to investors in writing and are delivered electronically through the Firm's investor portal for Fund I and through email for the Pre-Fund Investments. The Firm also has contact with investors (personal visits, telephone, email) throughout the year as conditions warrant.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. May River responds to these requests, and in answering these requests provides information that is not generally made available to other investors who have not requested

such information. Additionally, upon request, certain investors may receive additional information and reporting that other investors may not receive.

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

As described in Item 5 above, May River receives closing consulting fees, monitoring fees and reimbursements from the portfolio companies held by the Clients. These fees are paid pursuant to separate agreements entered into with the portfolio companies to provide certain consulting services that May River believes will ultimately enhance the value of the companies and benefit the Clients and their investors.

These types of arrangements present potential conflicts of interest and provide May River with an incentive to recommend investments based on compensation received rather than the best interests of the Clients. To help mitigate this potential conflict, such benefits received by May River or its employees in connection with services rendered to portfolio companies or transactions of Fund I are offset in part against Management Fees payable by Fund I, to the extent described above and detailed in Fund I's Governing Documents.

During fundraising for Fund I, May River engaged the services of M20 Private Advisors LLC ("M20 Advisors"), a registered broker-dealer in good standing with FINRA and the SEC, to serve as the placement agent for Fund I. May River entered into a written agreement with M20 Advisors to solicit commitments from investors for Fund I in exchange for a percentage-based fee of the aggregate commitments placed, a retainer payment, plus payment of expenses. Fees payable to M20 Advisors were borne by May River indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, were borne by Fund I. May River is no longer raising capital as Fund I is closed, and thus this placement agent relationship is no longer active.

#### **Item 15 – Custody**

Advisers Act Rule 206(4) (the "Custody Rule") requires that pooled investment vehicles which May River advises either undergo an annual audit pursuant to GAAP or be subject to a surprise custody examination by a Public Company Accounting Oversight Board ("PCAOB") registered auditing firm. May River is deemed to have custody of the Clients' assets because of its affiliation with each Client's respective General Partner and/or Manager and such General Partner's or Manager's ability to deduct fees from Client accounts. In order to comply with the Custody Rules, May River has elected to undergo an annual GAAP financial statement audit by a PCAOB registered auditing firm for each of its Clients over which it is deemed to have custody, copies of which are (or will be, with respect to its newly closed Fund I and for Pre-Fund Investments not previously subject to the Custody Rules prior to May River's full registration with the SEC) delivered to the Clients and their respective investors

within 120 days of fiscal year end. Audits for Fund I and Pre-Fund Investments will be completed and delivered to investors in April 2018.

May River does not, however, have physical custody of any Client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Client's qualified custodial account. May River receives monthly statements from each of its qualified custodians on behalf of the Clients.

## **Item 16 – Investment Discretion**

May River generally receives and exercises complete discretionary authority to manage investments on behalf of the Clients. Investment advice is provided directly to the Clients, subject to the discretion and control of the relevant General Partner and/or Manager, and not to investors in the Clients individually. To become an investor in a Client, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement or limited liability company agreement with such Client. Such Governing Documents generally contain a power of attorney that grants May River or its General Partner or Manager (as the case may be) certain powers related to the orderly administration of the affairs of the Clients. Once an investor executes these documents, May River is not required to contact an investor prior to transacting any business. An investor may impose limitations on May River's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to May River in writing and agreed to by May River and such investor. Other investors are not provided with consent rights regarding such side letter agreements. No investors to date have limited the Firm's discretion to provide investment advice.

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

By virtue of the applicable Governing Documents, May River has the authority to vote Client proxy statements on behalf of the Clients. The majority of "proxies" received by May River, however, will be written shareholder consents or similar instruments for private companies owned by the Client. As such, May River has adopted proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. May River's proxy policy seeks to ensure that it votes proxies in the best interest of the Clients, including where there may be material conflicts of interest in voting proxies. May River generally believe its interests are aligned with those of the Clients' investors through the principals' beneficial ownership interests in the Clients. In the event that there is or may be a conflict of interest in voting proxies, May River's proxy policy provides that the Firm may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee on the proposed proxy vote, or through other alternatives as set forth in May River's proxy policy. Investors in the Clients cannot direct how May River votes proxies nor is May River required to seek investor approval or direction from investors when voting proxies.

Firm principals and affiliated or unaffiliated third parties appointed by May River often sit on the boards of portfolio companies to which May River provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. May River does not consider service on portfolio company boards by May River personnel and affiliated and unaffiliated third parties appointed by May River or their receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

May River will provide a copy of its proxy voting policy to existing or prospective investors upon request to Stephen Griesemer, Partner and Chief Compliance Officer, at (312) 750-1781 or [sgriesemer@mayrivercapital.com](mailto:sgriesemer@mayrivercapital.com). Investors can also obtain information from the Firm, free of charge, about how May River voted any previous public proxies, if any.

#### **Item 18 – Financial Information**

May River does not require prepayment of more than \$1,200 in fees per Client, six months or more in advance; has no financial condition reasonably likely to impair its ability to meet contractual commitments to Clients or investors; and has not been the subject of a bankruptcy proceeding.