

**ITEM 1- COVER PAGE**

**PART 2A OF FORM ADV**

**FIRM BROCHURE FOR:**

**LUMINATE CAPITAL MANAGEMENT, INC.**



**August 31, 2018**

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**This Brochure provides information about the qualifications and business practices of Luminate Capital Management, Inc. ("Luminate"). If you have any questions about the contents of this Brochure, please call us at 415-278-1506. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.**

**Luminate is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Investment Company Act"), and the rules and regulations promulgated thereunder (the "Advisers Act"). Registration of an investment adviser does not imply any certain level of skill or training.**

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

## ITEM 2 – MATERIAL CHANGES

As an investment adviser, Luminate Capital Management, Inc. (“Luminate”), is required to identify and discuss any material changes made to this brochure since its last annual update. The following are the material changes to report since Luminate filed an initial registration with the U.S. Securities and Exchange Commission on July 27, 2018.

- Luminate moved its office location to 1 Letterman Drive, Suite cm500, San Francisco, CA 94129

In the future, when Luminate amends its Brochure for its annual update and the amended version contains material changes from the last annual update, Luminate will continue to identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, Luminate will provide the date of the last annual update of its Brochure.

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## ITEM 4 – ADVISORY BUSINESS

Luminate Capital Management, Inc., a Delaware corporation (“**Luminate**” or the “**Adviser**”), was formed in 2015. Luminate, together with its Advisory Affiliates (as defined below), provides discretionary investment advisory services to pooled investment vehicles (the “**Luminate Funds**”) that are offered solely to qualified investors and are exempt from registration under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and whose securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”). Hollie Haynes is the Founder, President and principal owner of Luminate.

The Adviser has established certain investment vehicles through which certain employees or other personnel of Luminate, operating partners, market participants, finders, consultants and other service providers, officers, and independent contractors of the Adviser, certain business associates, certain investors in the Luminate Funds, or other persons close to the firm have invested alongside one or more Luminate Funds in one or more investment opportunities (referred to herein as “**Co-Investment Vehicle**” together with the Luminate Funds the “**Funds**” or the “**Advisory Clients**”). Luminate may also permit certain co-investors to participate in an investment by investing through a holding company alongside the applicable Fund or otherwise. Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or Co-Investment Vehicle may purchase a portion of an investment from one or more Luminate Funds after such Luminate Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer. Any such purchase from a Luminate Fund by a co-investor or Co-Investment Vehicle generally occurs shortly after the Luminate Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Luminate’s sole discretion, Luminate is authorized to charge interest on the purchase to the co-investor or Co-Investment Vehicle (or otherwise equitably adjust the purchase price under certain conditions) and to seek reimbursement to the relevant Luminate Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Luminate Fund.

### Advisory Structure

The Adviser provides investment management and/or investment advisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) (each, a “**Partnership Agreement**”) of such Fund, separate investment management agreements (each such investment management agreement, an “**Advisory Agreement**”), and/or side letters with investors (collectively, the “**Governing Documents**”). The details of such investment advisory services are detailed further in the private placement memoranda of the Funds and below in Item 8. All defined terms used in this Brochure but not defined herein will have the same meaning ascribed to them in each Fund’s Governing Documents.

Certain affiliates of Luminate serve as general partners, general partners of the general partner or managing members of the Funds (“**Advisory Affiliates**”) and operate a single advisory business with Luminate. Each of the Advisory Affiliates is a related person of Luminate and is under common control

with Luminate including their respective partners, managers, members, shareholders, officers, employees and Affiliates in their respective capacities as such. Each Advisory Affiliate that serves as a general partner or managing member is subject to the Advisers Act, pursuant to Luminate's registration in accordance with SEC guidance, is subject to all of Luminate's compliance policies and procedures. As such, references to Luminate in this Brochure should also be considered references to the Advisory Affiliates in the appropriate context.

The Adviser provides investment management and/or investment advisory services to each Fund in accordance with the Governing Documents of such Fund. The Adviser's investment management and/or investment advisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Funds, managing and monitoring the performance of such investments, and disposing of such investments. Luminate offers investment advice solely with respect to the investments made by the Funds. Luminate or its Advisory Affiliate serves as the investment adviser or general partner to the Funds in order to provide such services. From time to time, where such investments consist of portfolio companies, the senior principals or other investment professionals of Luminate or its Advisory Affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Investment restrictions for the Funds, if any, are generally established in the Governing Documents or offering documents of the applicable Fund. Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement or side letter.

Luminate has and may in the future enter into side letter agreements with certain Investors. Side letters are negotiated prior to investment and may establish rights that supplement, or alter the terms of, the applicable Governing Document. Pursuant to such side letters, certain Investors may have rights which are not available to other Investors (including economic or other terms). For example, such terms and conditions may provide for special rights to make future investments in a Fund, or other investment vehicles; a reduction or rebate in Management Fees or Carried Interest (defined below) to be paid by the investors, preferential rights to participate in co-investment opportunities (including rights to invest in a Co-Investment Vehicle and/or other terms); and such other rights as may be negotiated by Luminate, a Fund and an investor.

Luminate does not participate in wrap fee programs.

As of March 31, 2018, Luminate manages approximately \$ 297,467,331 of Fund assets on a discretionary basis. Luminate does not have any Funds whose assets are managed on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

Luminate receives a Management Fee (defined below) and is entitled to receive performance-based profit distributions (commonly referred to as “**Carried Interest**”) in connection with its advisory services. Luminate or other Advisory Affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable to Luminate. In addition, in certain circumstances, Luminate receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. **INVESTORS SHOULD REFER TO THE RELEVANT OFFERING DOCUMENTS FOR A MORE COMPLETE EXPLANATION OF FUND TERMS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENTS.**

### ***Management Fee:***

Each Luminate Fund pays a management fee (the “**Management Fee**”), payable quarterly in advance, equal to 2% per annum of aggregate commitments held by partners not designated as “affiliated partners” by the general partner (as further described in the Fund Governing Documents). The Management Fee will be reduced to 1.75% per annum of the aggregate investment contributions after the expiration of the Investment Period or earlier upon the occurrence of certain events as set forth in the Partnership Agreement. The Management Fee will be further reduced to 1% per annum of the aggregate investment contributions after the end of the respective Luminate Fund’s term.

As set forth in certain of the Funds’ Partnership Agreements, the Management Fee with respect to certain Luminate Funds will be reduced by 100% of any (i) directors’ fees, financial consulting fees or advisory fees paid to the general partner of the applicable Luminate Fund with respect to any such Fund’s investments, (ii) transaction fees paid to the general partner of the applicable Luminate Fund with respect to any such Fund’s investments and (iii) break-up fees with respect to such Luminate Fund’s transactions not completed that are paid to the applicable Luminate Fund’s general partner, in each case attributable to investors that are not designated as “affiliated partners” by the general partner; excluding any amount received by the general partner, the Operations Group (as defined in the applicable Funds’ Partnership Agreement) or any member thereof, any operating partner, or other person from a portfolio company as reimbursement for 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 on arm’s length terms or as reasonable compensation for services provided by the general partner or other person as an employee of or in a similar capacity for such portfolio company.

Such portfolio company-related fees that reduce the Funds’ Management Fees will be credited as an offset against the Management Fee. To the extent that such an offset credit would reduce the Management Fee for a given six-month period below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon liquidation, a payment will be made crediting limited partners unless a limited partner has elected to waive such amount.

As a matter of practice, Luminate is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fees payable by any Luminate Fund(s) that have also invested in such investment, and as a result a Luminate Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below, it is Luminate's practice to retain certain operating partners to provide services to or with respect to certain portfolio companies in which one or more Funds invests. Such operating partners generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Management Fee payable by any Fund.

In some cases, Luminate is permitted to waive or agree to reduce the Management Fee payable by a Fund. Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant Advisory Affiliate, which is effectively invested in the relevant Fund on such Advisory Affiliate's behalf, and operates to reduce the amount of capital such Advisory Affiliate would otherwise be required to contribute to the applicable Fund. Waived or reduced Management Fees are not subject to the Management Fee offsets described herein, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by Luminate and/or timing of receipt of compensation subject to offsets (as described herein), it is possible that Management Fee offsets will be delayed or not fully realized by investors in the Fund, resulting in a net additional benefit to Luminate or an Advisory Affiliate.

As noted above, Luminate is permitted to exempt certain "affiliated partner" investors in the Funds from payment of all or a portion of Management Fees and/or Carried Interest, including Luminate personnel and any other person designated by Luminate. Any such exemption from fees and/or Carried Interest may be made by direct exemption, a rebate by Luminate and/or its Advisory Affiliates or through other Funds which co-invest with a Fund. Luminate has the right to permit investors, affiliated with Luminate or otherwise, to invest through the relevant Advisory Affiliate or other vehicles that do not bear Management Fees or Carried Interest.

Principals or other current or former employees of Luminate generally 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 Luminate or its Advisory Affiliates.

### ***Carried Interest***

As described in more detail in Item 6 below, subject to a clawback, Luminate (or the applicable Advisory Affiliate) receives Carried Interest from the Funds under certain circumstances, which are based on net profits from investments as specified in each Fund's Governing Documents.

Performance based compensation described in Item 6 below is paid to the applicable Advisory Affiliate upon the satisfaction of certain conditions as set forth in the applicable Governing Documents. Luminate Funds do not have the ability to choose to be billed directly for fees incurred.

Any new Fund launched by Luminate may have materially different terms than those summarized above.

### **Expenses**

Luminate and its Advisory Affiliates will generally bear all ordinary administrative and overhead expenses incurred in connection with maintaining and operating its office(s), including employees' salaries, rent and utilities, except as otherwise provided in each Fund's Partnership Agreements, as well as any placement fees payable to any placement agent and any Excess Organizational Expenses in connection with the formation of a Fund and any licensing or registration fees or expenses incurred in direct connection with the registration or continued licensing of, or any expenses related to an examination by the SEC of Luminate as a registered investment adviser.

Each Fund will bear its own as well as its affiliated entities' organizational and startup expenses ("**Organizational Expenses**") up to a certain aggregate amount. Organizational Expenses include, without limitation, legal, travel (including meals, entertainment and first class commercial airfare), lodging, accounting, filing, printing, capital raising, regulatory compliance (including the initial compliance contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), any administrative or other filings. Organizational Expenses in excess of a certain threshold (if charged to the Fund) will be offset against Management Fees ("**Excess Organizational Expenses**").

In the event that a Fund and certain co-investors invest together through a holding company, the expenses related to the structuring, formation and operation of such holding company will generally be allocated pro rata amongst the Fund and the co-investors in such vehicle. In the event that a transaction in which a co-investment was to be sought ultimately is not consummated, all obligations, liabilities and out-of-pocket fees (including any break-up fees), costs and expenses relating to such unconsummated transaction will be borne by the Fund.

Each Fund will pay all fees, costs, expenses, liabilities and obligations relating to the Fund and/or its activities, business, portfolio companies or actual or potential investments, including with respect to any entity formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, identifying, negotiating, consummating, financing, refinancing, diligence (including any subscriptions to any periodicals or databases), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio companies and the Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, Luminate, its Advisory Affiliate or any affiliated



partner on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, deal consultant, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), trustee, record keeping, account and similar services, including a Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule or regulation related to the implementation thereof); (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund's third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to the Operations Group or any of its members, operating partners, consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees (including with respect to transactions where co-investors were expected to participate); (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive), or other information, including fees and costs of any third-party service providers, software and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the Limited Partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) activities or proceedings of the Advisory Board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the general partner, the Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Board); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Partner or other person or entity pursuant to the Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xvii) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s), in each case to the extent incurred by the Fund or an Advisory Affiliate; (xviii) any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Fund's affiliated entities; (xix) the termination, liquidation, winding up or dissolution of the Fund; (xx) defaults by partners in the payment

of any capital contributions; (xxi) except as otherwise provided in the Fund Partnership Agreement, amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, Luminate and its Advisory Affiliates, including the preparation, distribution and implementation thereof; (xxii)(A) complying with any law, regulation or policy related to the activities of the Fund (including any legal fees and expenses related thereto, any regulatory expenses of the general partner incurred in connection with the operation of the Fund, and any costs and expenses related to compliance with any environmental, social and governance investor considerations and policies of the general partner or the Fund) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Partnership Agreement; (xxiii) any third-party experts, including independent appraisers, engaged by the general partner in connection with the Fund considering, making or holding an investment in the same company as one or more other affiliates of the Fund or the general partner; (xxiv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer of interests in the Fund; (xxv) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (including compliance with tax rules, regulations, guidance and intergovernmental agreements); (xxvi) distributions to the Partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxvii) unreimbursed expenses and unpaid fees of the Operations Group or its members, employees or other persons engaged by the Operations Group; (xxviii) compliance or regulatory matters related to the Fund, except as otherwise set forth in the Partnership Agreement; (xxix) any travel (including first class commercial airfare), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; and (xxx) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board.

Additionally, as further described in the applicable private placement memorandum and/or Partnership Agreement of each Fund, it is Luminate's practice to retain certain operating partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such operating partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for the portfolio companies. Operating partners receive compensation including, but not limited to, cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or Advisory Affiliates, remuneration from Luminate and/or its Funds or other compensation, which typically are determined according to one or more methods, including the value of time (including an allocation of overhead and other fixed costs) of such operating partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company and/or a percentage of cash flows from such company. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. As described herein, no such amounts will offset the Management Fee. The use of operating partners subjects Luminate to conflicts of interest, as discussed under "Conflicts of Interest" below.

Luminate and/or its Advisory Affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other fees or forms of compensation to a portfolio company and, if so, the rate, timing and amount of such fees or compensation. The receipt of such fees or compensation generally will give rise to potential conflicts of interests between the Funds, on the one hand, and Luminate and/or its Advisory Affiliates on the other hand.

As described above, Management Fees applicable to each Fund are paid quarterly in advance to Luminate pursuant to the applicable Funds' Governing Documents. In the event that the term of a Fund (as defined in such Fund's Governing Documents) ends prior to the end of a quarter, the Management Fee for such quarter shall be adjusted as determined by Luminate.

In certain circumstances, one Fund is expected to 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. While Luminate believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Luminate is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

**INVESTORS SHOULD REFER TO THE RELEVANT OFFERING DOCUMENTS FOR A MORE COMPLETE EXPLANATION OF FUND TERMS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENTS.**

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Subject to a clawback, Luminate is eligible to receive performance-based compensation from Investors upon the distribution of investment proceeds ("**Carried Interest**") as described in Item 5 above and detailed further in the Governing Documents.

Luminate also manages accounts that are not charged performance-based compensation, or are charged performance-based compensation in lower percentages. This practice could present a conflict of interest because Luminate has an incentive to favor accounts for which it receives the highest performance-based compensation.

It should be noted that the possibility of receipt of Carried Interest by Luminate creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based fee. Luminate manages this potential conflict of interest through its Code of Ethics and by clearly disclosing the performance-based distributions in applicable Fund Governing Documents. Luminate has also adopted a policy to allocate portfolio transactions and investment opportunities only to the particular Fund that has not reached a threshold of at least 75% of capital commitments having been invested or reserved for expenses. Only after this threshold is reached will a follow on Fund be raised.

## ITEM 7 – TYPES OF CLIENTS

Luminate currently provides investment advisory services to the Funds. As noted in Item 4 above, investment advice is provided directly to the Funds and not individually to investors in such Funds.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the Investment Company Act. The Funds will offer interests only to certain qualified investors who meet qualification requirements under applicable securities laws and other laws. Admission to the Funds is not open to the general public.

The 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 Governing Documents of such vehicles and the related Fund.

The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Luminate and its Advisory Affiliates and members of their families, operating partners or other service providers retained by Luminate.

Luminate does not have a minimum size for a Fund, but minimum investment commitments are typically established for investors in the Funds. The general partner of each Fund may permit, in its sole discretion, investments below the minimum amounts set forth in the Governing Documents of such Fund.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

As described in Item 4, above, Luminate provides advisory services to private investment funds that invest primarily in private middle market companies in the software sector, located in North America, though investments in public companies are permitted with certain limitations.

### ***Investment Strategy***

In choosing investments for the Funds, Luminate selects investments primarily in companies in what Luminate sees as growth markets. Luminate will target investments in companies it believes possess core advantages related to products and technology, brand, distribution or vertical market expertise and present clear opportunities for value creation. The Funds generally make 7-10 investments in companies with enterprise values generally ranging from approximately \$40 million to \$100 million. The Funds expect to focus on investments between approximately \$30 million and \$60 million of equity per transaction (or series of transactions), which may be supplemented by third-party debt and co-investor capital at the general partner's sole discretion.

### ***Investment Process***

Luminate's investment process includes conducting thorough due diligence, negotiating transactions and raising third-party financing. Luminate's investment team spearheads transaction execution, including due diligence, negotiation and financing.

The investment process generally follows a methodology that includes assessing management; evaluating underlying technology and customer satisfaction; identifying value drivers; creating a detailed business model; building a value creation plan; and negotiating and structuring the transaction.

- Assessing management: Luminate's strategy includes functioning as a value-added partner to the management teams of the Fund's portfolio companies. Therefore, assessing the management team is a critical first step in any due diligence process.
- Evaluating underlying technology and customer satisfaction: Because of the team's industry focus, Luminate embarks on due diligence missions with an extensive understanding of a company's underlying business. Luminate also evaluates the underlying technology and customer satisfaction through primary and secondary sources such as management interviews, customer and supplier surveys, competitor evaluations, market sizing studies, expert consultant engagements and detailed on-site investigations.
- Identifying value drivers: Due diligence evaluations helps Luminate identify value drivers. This step is important when determining whether a portfolio company has the right business model to convert strong underlying assets and customer satisfaction into robust profits and cash flows. Value drivers usually are a combination of macroeconomic factors (such as market growth, competitor actions, market share and technology trends) and microeconomic factors (product- and customer-level pricing and volume trajectories, as well as detailed expense and cash flow trends).

- **Creating a detailed business model:** During this phase, Luminate creates a business model and financial projections. Luminate's investment professionals (along with outside expert advisors) conduct thorough finance, accounting, legal and tax due diligence to assess cash flow quality and liabilities. The resulting business model enables Luminate to design an appropriate capital structure, evaluate the economic return on investment and define effective incentive programs to align management with shareholders.
- **Building a value creation plan:** In partnership with management and based on due diligence findings, Luminate helps management design a value creation plan. This plan serves as the blueprint for future operating initiatives, as well as the definition of how Luminate professionals will engage with management.
- **Negotiating and structuring the transaction:** In connection with the due diligence process, Luminate's professionals negotiate the terms of an investment transaction, which include investment format, capital structure and management incentives. Investment professionals also arrange financing, as necessary, from third-party debt providers and equity co-investors. Luminate believes that the team's differentiated capabilities and its strong investment track record within the technology industry enhance the team's ability to raise financing from the debt capital markets, as well as from equity co-investors. Equity co-investors in deals done by Luminate's principal have included limited partners, unaffiliated private equity firms and other third parties.

**THERE CAN BE NO ASSURANCE THAT LUMINATE WILL ACHIEVE ITS INVESTMENT OBJECTIVES OR THAT THE INVESTMENT STRATEGIES EMPLOYED BY LUMINATE AND THE FUNDS WILL BE SUCCESSFUL. INVESTING IN SECURITIES INVOLVES A RISK OF LOSS THE INVESTOR SHOULD BE PREPARED TO BEAR.**

### ***Material Risks***

*Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.*

*In addition, material risks relating generally to all of the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for all of the Luminate Funds, include the following:*

- **Business Risks.** The Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.
- **Future and Past Performance.** The performance of the Principal's prior investments is not necessarily indicative of the Fund's future results. While the general partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

- *Investment in Junior Securities.* The securities in which the Fund 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 the Fund's investment once made.
- *Concentration of Investments.* The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.
- *Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, Limited Partners will be required to bear Management Fees through the Fund during the Investment Period based on the entire amount of the Limited Partners' Commitments and other expenses as set forth in the Partnership Agreement. The Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates. To the extent that the Fund encounters a highly competitive market while making investments, the acquisition cost of such investments may increase, and returns to Limited Partners, if any, may decrease.
- *Dynamic Investment Strategy.* While the general partner generally intends to seek attractive returns for the Fund primarily through making private equity investments as described herein, the general partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The general partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.'
- *Growth Equity Transactions.* The Fund's strategy includes targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.
- *Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of



capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the general partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

- *Leveraged Investments.* The 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 companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment, 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 (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 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 the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

The Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). Although use of such borrowing facilities enhances the ability to close transactions quickly, such activity also increases risk. Any use of leverage by the Fund will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The Fund may incur indebtedness to close a transaction and later sell a portion of such investment to co-investors. The Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the general partner or any of its affiliates and, in connection with incurring such indebtedness, the general partner may, in its sole discretion, cause the Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when the Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. In addition, to the extent the Fund incurs leverage or provides any guaranty, such amounts may be secured by the capital commitments of the Fund's investors and other Fund

assets. The inability of the Fund to repay any leverage secured by the capital commitments of the Fund's investors could enable a lender to issue a capital call on behalf of the general partner.

- *Limited Transferability of Fund Interests.* There will be no public market for the 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.
- *Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Partners. After a distribution of securities is made to the Partners, many Partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of Carried Interest available to the general partner with respect to such investment.
- *Reliance on the General Partner and Portfolio Company Management.* The Fund has no operating history and will be dependent on the general partner. Control over the operation of the Fund will be vested with the general partner, and the Fund's future profitability will depend 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 the Fund's ability to realize its investment objectives. In addition, the Principals 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 the Fund, and as a result, the investment performance of the Fund will depend on the actions of the general partner. In addition, certain changes in the general partner or circumstances relating to the general partner may have an adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the general partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

- *Projections.* Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the 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 effect on the reliability of projections.

- *Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The United States Foreign Account Tax Compliance Act (“FATCA”) aims to combat tax evasion by United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. One or more of these information exchange regimes are likely to apply to the Fund and/or alternative investment vehicles, and may require the general partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). A Limited Partner’s failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from the Fund and/or alternative investment vehicles or other potential remedies.
- *Conflicting Investor Interests.* Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Fund, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a consequence, conflicts may arise in connection with decisions made by the 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, the general partner generally will consider the investment, tax and other relevant objectives of the Fund and its Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.
- *Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). If the Luminate Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) the Luminate Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Luminate Fund incurring additional costs and expenses; (ii) the Luminate Fund and/or the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Luminate Fund incurring additional costs and expenses or otherwise affect the management and operation of the Luminate Fund; (iii) the Adviser may be required to make detailed information relating to the Luminate Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Luminate Fund in relation to EEA portfolio companies including, in some circumstances, the Luminate Fund’s ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Luminate Fund to raise its targeted amount of commitments.

- *Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company. Conversely, co-investors in a portfolio company may not participate in follow-on investments, resulting in the Fund potentially funding a larger portion of the follow-on capital.
- *Non-U.S. Investments.* The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the 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 the Fund and/or the Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the 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.
- *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 ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject 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. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the general partner and/or one of its affiliates an obligation to register with the U.S. Commodity

Futures Trading Commission (“CFTC”) or other regulator or comply with an applicable exemption. 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.

- *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 the Fund, a defaulting Limited Partner may be forced to transfer its interest in the 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. Whether and how to exercise the general partner’s remedies against a defaulting Limited Partner will be in the discretion of the general partner, and the general partner may require the non-defaulting Limited Partners to contribute capital to make up for the shortfall created by such defaulting Limited Partner.
- *Dilution.* Limited Partners admitted or that increase their respective Commitments to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund’s existing investments at the time of such contributions.
- *General Partner’s Carried Interest.* The fact that the general partner’s Carried Interest is based on a percentage of net profits may create an incentive for the general partner to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.
- *Transfer by General Partner.* To the extent the general partner, its partners, the Principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.
- *Non-controlling Investments.* The Fund 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 Fund at times may hold minority equity stakes of any size. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund’s 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 the Fund, especially in cases where the interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be

able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

- *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.
- *Director Liability.* The Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the 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. 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.
- *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 the 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 the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.
- *General Economic and Market Conditions.* The private equity industry generally and the success of the Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by the general partner. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the 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 the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The 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 the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the 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 the 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 the Fund's ability to raise funding to support its investment objective. Any of the foregoing events could result in substantial or total losses to the Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

- *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The ability of the Fund and the portfolio companies to effectively execute their respective strategies will be dependent on the health of the U.S. and global credit markets. In the event that, as a result of an economic downturn or otherwise, credit markets deteriorate and it becomes more difficult for investment funds (including the Fund) to obtain favorable financing for investments, the Fund's ability to consummate investments may be adversely affected, one effect of which may be a slower-than-anticipated rate of capital deployment by the Fund. A persistent credit market deterioration may result in limited availability of credit to consumers, homeowners and/or businesses, which may lead to an overall weakening of the U.S. economy and/or global economies. In such a situation, portfolio company performance may decline and/or the value of portfolio companies may be diminished. As a result, the Fund's ability to realize its investments at favorable times and/or for favorable prices may be negatively impacted, one effect of which may be longer-than-anticipated holding periods for investments. Accordingly, a deterioration in credit markets may negatively affect the Fund's ability to achieve its investment objectives and/or generate attractive returns for Limited Partners.
- *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 Fund intends to manage its investments to minimize any such exposure, the 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 the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the 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 the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA as in effect as of the date of this Memorandum, which may change in the future as the case law and guidance develops.

- *Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the general partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the general partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of Management Fees.
- *Co-Investments.* The general partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons, 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 the Fund or any individual Limited Partner. In exercising its sole discretion in connection with such co-investment opportunities, the general partner may consider some or all of a wide range of factors, which may include factors which benefit the general partner as further discussed in the Fund Governing Documents. The Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the general partner or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Limited Partners. The general partner expects to offer co-investment opportunities to Luminate's operating partners, including those listed in the relevant Fund Governing Documents and may offer co-investment opportunities to other Special Consultants. When and to the extent that employees and related persons of the general partner make capital investments in or alongside the Fund, the general partner is subject to conflicting interests in connection with these investments. The general partner's allocation of co-investment opportunities among the persons and in the manner discussed herein may not,



and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

- *Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, the Fund and the general partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors. In such a situation, Limited Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement.
- *Agreements with Certain Investors.* The general partner may enter into a side letter or other similar agreement with a particular Limited Partner in connection with its admission to the Fund without the approval of any other Limited Partner, which would have the effect of establishing rights under, altering or supplementing the terms of, or confirming the interpretation of an applicable Fund document (including the Partnership Agreement and any related subscription agreement) with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners, and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include (i) excuse, exclusion or withdrawal rights applicable to particular investments or Limited Partners (which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, certain investments); (ii) reporting obligations of the general partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the general partner to certain transfers by such Limited Partner; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such Limited Partner.
- *Cyber Security Breaches and Identity Theft.* The Fund and its portfolio companies' information and technology systems 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 earthquake. 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. Although the general partner intends to implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the general partner, the Fund and/or a

portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the general partner's, the Fund's 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 general partner's, the Fund's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

- *Concentration of Investments in the Software Sector.* The Fund's investments will likely be concentrated in software companies. Concentration in a single sector may involve risks greater than those generally associated with a more diversified strategy, including significant fluctuations in returns. A number of factors contribute to challenging conditions for businesses in the Software Sector, including (i) new competing products and software solutions and improvements in existing products and software solutions which may quickly render existing products or technologies obsolete; (ii) rapidly changing and difficult to predict market conditions and consumer preferences; (iii) short product life cycles; (iv) scarcity of and high demand for management, technical, scientific, research and marketing personnel with appropriate training; (v) the possibility of lawsuits related to patents and other intellectual property and their associated rights; and (vi) rapidly changing investor sentiments and preferences with regard to Software Sector investments. Some or all of the Fund's portfolio companies will compete in this volatile environment, and such competition may result in significant downward pressure on the prices of such portfolio companies' products and/or services. As a result of the likely concentration of the Fund's investments in the Software Sector, any instability, fluctuation or general decline in the Software Sector will likely not be offset by investments in other industries not similarly affected.
- *U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Fund, Luminate or the general partner who were or may in the future be granted direct or indirect interests in the general partner, which could make it more difficult for the general partner and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. This could also create an incentive for the Principals to cause the Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.
- *Competition in the Software Sector.* Competitors of the Fund and its portfolio companies will range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product and software lines may let them be more effective in deploying technical, marketing and/or financial resources. Barriers to entry in the Software Sector are low, and software products and solutions can be distributed broadly and quickly at relatively low cost. Many of the areas in which the Fund and its portfolio companies are expected to participate evolve rapidly with changing and disruptive technologies, shifting user needs and frequent introductions of new products and services. The emerging

nature and rapid evolution of technology products and services generally require portfolio companies in the Software Sector to continually improve the performance, features and reliability of their products and/or services, particularly in response to competitive offerings. There can be no assurance that such portfolio companies will be successful in achieving widespread acceptance of their products and/or services before competitors offer products and services with similar or improved performance, features and reliability. In addition, the widespread adoption of new technologies or standards could require substantial expenditures by such portfolio companies to modify or adapt their products or services. Such expenditures may negatively affect the profitability of such portfolio companies and, in turn, the Fund's operating results and performance.

- *Third-party Infringement Claims.* The Fund or any portfolio company may, from time to time, receive notices from persons or entities claiming that the Fund or such portfolio company has infringed upon their intellectual property rights. The quantity of such claims may grow over time due to the fast pace of developments in the Software Sector, increasing amounts of user-generated content, the extensive patent coverage of existing technologies and the rapid rate of issuance of new patents. Additionally, portfolio companies may use "open source" software in their products, or may use such software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a portfolio company has not complied with the conditions of one or more of such licenses. To resolve these and other intellectual property infringement claims, the Fund and/or the portfolio companies may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers, any of which may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs may be permitted to seek injunctive relief that may limit or prevent importing, marketing and selling products that utilize infringing technologies, and it is possible that such injunctive relief may be issued before the parties have fully litigated the validity of the underlying intellectual property rights.
- *Software Code Protection.* The development and protection of source code is critical to many businesses in the Software Sector. If an unauthorized disclosure of a significant portion of a portfolio company's source code occurs, such portfolio company could potentially lose future trade secret protection for such source code. The loss of trade secret protection could make it easier for others to compete with such portfolio company's products or services by copying their functionality, which could adversely affect such portfolio company's revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms and other malicious software programs that may attack a portfolio company's products and services). Costs for remediating the unauthorized disclosure of source code and other cybersecurity breaches may include those related to increased protection, reputational damage, loss of market share, liability for stolen assets or information and repairs to damaged systems. Remediation costs may also include incentives offered to maintain a portfolio company's business and/or customer relationships following a security breach.

*Material, Non-Public Information.* As a result of the operations of Luminate and its Advisory Affiliates, Luminate frequently comes into possession of confidential material, non-public information. Therefore,

Luminate and its Advisory Affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Luminate's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Luminate is required to disclose all material facts regarding any legal or disciplinary events that would be material to an Investor's evaluation of Luminate or the integrity of Luminate's management. Luminate has no legal or disciplinary information to disclose at this time.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Advisory Affiliates are related persons of Luminate and serve as general partners, or managing members, to the Funds. These entities operate as a single advisory business together with Luminate and are registered under the Advisers Act pursuant to Luminate's registration in accordance with SEC guidance. In connection therewith, the Advisory Affiliates maintain investments in the Fund and provide investment management and administrative services to the Funds. As described in Item 6, the Advisory Affiliates are entitled to receive Carried Interest from the Funds, which may in certain circumstances create a conflict of interest, as described in Item 6 above. For a description of any material conflicts of interest created by the relationship between Luminate and the Advisory Affiliates, as well as a description of how such conflicts are addressed, please see Item 8 above and Item 11 below.

## ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Luminate’s Code of Ethics (the “**Code**”) is designed to meet the requirements of Rule 204A-1 of the Advisers Act. The Code applies to Luminate’s “Access Persons.” Access Persons include any member, officer or director of Luminate and employee of Luminate who, in relation to the Funds: (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings; or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All employees of Luminate are deemed to be Access Persons. In addition, certain other individuals, such as temporary employees or consultants may also be deemed Access Persons.

The Code sets forth a standard of business conduct that takes into account Luminate’s status as a fiduciary and requires Access Persons to place the interests of the Funds above their own interests. The Code is designed to: (i) prevent improper personal trading by Access Persons; (ii) prevent improper use of material, non-public information about securities recommendations made by Luminate’s or securities holdings of the Funds; (iii) identify conflicts of interest; and (iv) provide a means to resolve any actual or potential conflict in favor of the Funds.

The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Katherine Scott, Luminate’s Chief Compliance Officer (the “**Chief Compliance Officer**” or the “**CCO**”). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. The Code requires Access Persons to obtain prior approval from the Chief Compliance Officer before participating in IPO’s and private placement transactions in a personal account. In addition, under the Code, Luminate’s maintains a “restricted list” of companies about which a determination has been made that it is prudent to restrict trading activity (e.g., companies about which Luminate or a Access Person may have acquired material, non-public information).

Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1 under the Advisers Act.

Principals and employees of Luminate and its Advisory Affiliates may directly or indirectly own an interest in one or more Funds, including certain Co-Investment Vehicles. Co-Investment Vehicles in which such principals or employees participate may invest in one or more of the same portfolio companies as a Fund.

Luminate and its Advisory Affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who not invest in a Fund, and may give

advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The Governing Documents may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

Access Persons are permitted to make securities transactions in their personal accounts. This presents potential conflicts in that an Access Person could make improper use of information regarding the Fund's holdings or future transactions or research paid for by the Funds. Luminate manages the potential conflicts of interest inherent in an Access Person's personal trading by enforcement of its Code, which contains strict pre-clearance and reporting guidelines for Access Persons. Luminate requires that Access Person's transactions in limited offerings, initial public offerings and securities on the restricted list to be pre-cleared with the Chief Compliance Officer. Luminate's investment program does not generally involve investments in publicly traded securities.

Luminate maintains a "Restricted List" with the names of issuers of securities about which Luminate (or its Access Persons) has learned material, non-public information. Access Persons are strictly prohibited from trading on any securities to which the material, non-public information relates.

In addition, Luminate receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or her designee also reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

Investors or prospective investors may obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at (415) 872-0892 or [katherine.scott@luminatecapital.com](mailto:katherine.scott@luminatecapital.com).

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

As explained in Item 10 above, Luminate serves as investment adviser to the Funds. Luminate and certain Access Persons recommend interests in the Funds to prospective Investors. Certain Advisory Affiliates of Luminate invest directly in the Funds. The fact that Advisory Affiliates of Luminate may have a financial ownership interests in the Funds creates a potential conflict in that it could cause Luminate and its Advisory Affiliates to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed by the personal securities transaction pre-clearance and holding requirements described below.

Luminate has also established certain investment vehicles through which certain Luminate personnel, and independent contractors (including without limitation operating partners) and/or family members of Luminate, and/or family members of the Advisory Affiliates, certain limited partners, certain business associates, or other persons close to Luminate invest alongside a Fund in one or more investment opportunities. To the extent reasonably practicable, the purchase and sale of such securities in each such investment will be made on substantially similar terms and conditions as the Fund's purchase and



sale of such securities, subject to any tax, regulatory, accounting, legal or other similar considerations. Such co-investment vehicles typically do not pay Management Fees or Carried Interest.

To the extent reasonably practicable, the purchase and sale of investments by the Co-Investment Vehicle will be made on substantially similar terms and conditions as the applicable Luminate Fund that is invested in that investment opportunity, subject to any tax, regulatory, accounting, legal or other similar considerations.

Furthermore, Luminate (or its Advisory Affiliate) receives management and performance-based compensation. The Management Fees are payable without regard to the overall success or income earned by the Funds and, therefore, may create an incentive on the part of Luminate to raise or otherwise increase assets under management to a higher level than would be the case if Luminate was receiving a lower or no Management Fee. Performance-based fees may create an incentive for Luminate to make Investments that are riskier or more speculative than in the absence of such performance-based fee.

The general partner may, in its sole discretion, permit Luminate employees who as of the time of determination, does not hold any direct or indirect interest in the Carried Interest (each such Person, a **"Luminate Junior Employee"**) to co-invest alongside the Fund and purchase for their respective accounts up to an aggregate \$150,000 of securities of, or other interests in, any Portfolio Company or prospective Portfolio Company in which the Fund is investing. To the extent reasonably practicable, Luminate addresses this conflict by requiring that each such investment be made and disposed of at substantially the same time and on substantially the same terms as a corresponding investment by the Fund. Additionally, the Fund and each participating Luminate Junior Employee will each bear their respective pro rata share of expenses related to any such investment based on the aggregate amounts to be invested by such persons. Lastly, on an annual basis, Luminate provides the Advisory Board with a summary description of any co-investments made by Luminate Junior Employees since the previous time such disclosure was made.

As discussed above, Luminate and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, legal, management and other services to Funds and portfolio companies. Luminate will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Luminate conducting its activities, the interests of a Fund may conflict with the interests of Luminate, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Luminate will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by

Luminate principals through such Fund, subject to certain limited exceptions. Without limitation, Luminate principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. Luminate's principals and Luminate's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Luminate principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, Luminate principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Luminate will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by Advisory Affiliates of Luminate. In determining which investment vehicles should participate in such investment opportunities, Luminate and its Advisory Affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Luminate in a portfolio company may also raise the risk of using assets of a client of Luminate to support positions taken by other Advisory Clients of Luminate.

Luminate must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Luminate generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant client's Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of Luminate in the manner set forth in the relevant Partnership Agreements and the Adviser's Allocation Policy. Luminate will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Luminate's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Luminate will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and Luminate's procedures regarding allocation. Luminate's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Luminate's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Luminate's ability to

execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Luminate believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, or the Funds or Luminate. Luminate may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Luminate or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Luminate investors. When and to the extent that employees and related persons of Luminate and its Advisory Affiliates make capital investments in or alongside certain Funds, Luminate and its Advisory Affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Luminate's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Luminate will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its Advisory Clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Luminate may be subject, discussed herein, did not exist.

In certain cases, Luminate will have 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, Luminate will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, 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.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined

by Luminate in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Luminate may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable general partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Luminate may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. Luminate intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Luminate and its Advisory Affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Luminate will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its Advisory Clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Luminate may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or Co-Investment Vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Luminate or its Advisory Affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or Co-Investment Vehicles receiving related benefits or proportionately in accordance with asset size. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, Luminate and/or its Advisory Affiliates typically have the right to appoint portfolio company board members (including current or former Luminate personnel or persons serving at their request), 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 Luminate and/or its Advisory Affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or Carried Interest paid by a Fund to Luminate.

Additionally, a portfolio company typically will reimburse Luminate or service providers retained at Luminate's discretion for expenses (including without limitation travel expenses) incurred by Luminate or such service providers in connection with its performance of services for such portfolio company. This subjects Luminate and its Advisory 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 over time is expected to be substantial. Luminate determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Luminate or such service providers generally is subject to: agreements with or review by 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.

Luminate generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Luminate or a related person of Luminate (which may include a portfolio company of such Fund), (ii) an entity with which Luminate or its Advisory Affiliates or current or former members of their personnel has a relationship or from which Luminate or its Advisory Affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their Advisory Affiliates. For example, Luminate may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their Advisory Affiliates that are engaged in lending or related business. This discretion subjects Luminate to conflicts of interest, because although Luminate selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Luminate may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Luminate, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Luminate), 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 Luminate has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, from time to time Luminate may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Luminate, 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 Funds' Partnership Agreements or otherwise in the sole discretion of Luminate, Luminate 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 circumstances, Luminate 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. Luminate 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 Luminate 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, Luminate 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.

Luminate and/or its Advisory Affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Luminate and/or its Advisory Affiliates; conversely, current or former personnel or executives of Luminate and/or its Advisory Affiliates may serve in significant management roles at portfolio companies or service providers recommended by Luminate. Similarly, Luminate, its Advisory 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, Luminate and/or its Advisory Affiliates, and/or the Funds or other investment vehicles they advise. Luminate 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 Luminate information about markets and industries in which Luminate operates (or is contemplating operations) or will provide other services that are beneficial to Luminate. Luminate may have a conflict of interest in making such recommendations, in that Luminate 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 Luminate 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, while maintaining certain benefits, support services or indicia of employment at Luminate. Under such arrangements, Luminate and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships will not result in additional offsets to the Management Fee. 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 Luminate at the end of such secondee arrangement.

Luminate, its Advisory Affiliates, and equity holders, officers, principals and employees of Luminate and its Advisory Affiliates may buy or sell securities or other instruments that Luminate has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in Luminate's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Luminate have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Luminate, are reimbursed by a Fund and/or its portfolio companies, Luminate will 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 (and, to a lesser extent, the Funds) typically pay certain fees to operating partners and other consultants (including consultants introduced or arranged by Luminate and/or its Advisory Affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operating partners generally make use of Luminate resources or otherwise are associated with Luminate. Luminate and/or its Advisory Affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating partners generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein. Although the use of operating partners and the allocation of compensation paid to them by Luminate, its Advisory Affiliates and/or the portfolio companies subjects Luminate and/or its Advisory Affiliates to potential conflicts of interest, Luminate believes that such potential conflicts may be reduced 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 cost of the operating partner is lower than market rates for the services provided and/or if the services of the operating partner align with Luminate's model for the portfolio company and improve portfolio company performance. Although Luminate seeks to retain operating partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Luminate also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Luminate believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain

only operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, 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.

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 Management Fees are, 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 Luminate may not otherwise have done so. Since Luminate is permitted to retain certain Supplemental Fees (as described above) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

Luminate and/or its Advisory Affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Luminate may institute a program under which portfolio companies majority owned by the Funds are required to participate in purchasing, vendor or similar arrangements with Luminate, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a group-wide basis. Luminate allocates fees and third-party administration costs for the program among the relevant Funds, portfolio companies and Luminate. Luminate and its Advisory 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. Luminate believes 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.

From time to time Luminate, its Advisory Affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than Luminate and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Luminate believes that the potential for conflicts of interest relating to such discounts is mitigated. Luminate, its Advisory Affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

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



partners of the relevant Fund(s) and such other investment vehicles.

## ITEM 12 – BROKERAGE PRACTICES

As described in Item 4, above, Luminare is the investment adviser to private investment funds that invest primarily in software companies. Due to the nature of the Fund's investment programs, Luminare generally does not select or recommend broker-dealers for Advisory Client transactions and does not utilize "soft dollars."

Luminare recognizes that, as a fiduciary, it has a duty to allocate investment opportunities among its Advisory Clients in a fair and equitable manner. As discussed in Item 6 above, Luminare has adopted a policy to allocate portfolio transactions and investment opportunities only to the particular Fund that has not reached a threshold of at least 75% of capital commitments having been invested or reserved for expenses. Only after this threshold is reached will a follow on Fund be raised. If Luminare does determine that it would be appropriate for more than one Fund to participate in an investment opportunity, Luminare will seek to allocate the investment opportunity to all of the participating Funds in a fair and equitable basis subject to Luminare's Allocation Policy. Luminare will consider the following factors in order to determine whether an investment opportunity is appropriate for each relevant Fund: each Fund's investment restrictions and objectives (including those set forth in the relevant Fund's partnership agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure.

### **ITEM 13 – REVIEW OF ACCOUNTS**

Advisory Client portfolio and Investments are under continuous review by Luminate's investment team. Luminate closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis.

Generally, within 45 days after the end of each of the first three (3) fiscal quarters, investors in the Fund will receive unaudited quarterly financial statement for the Fund for such quarter showing such investors closing capital account balance as of the end of such quarter. In addition, Investors will receive annual audited financial statements within 90 days of the end of the relevant Fund's fiscal year if required the Fund's Governing Documents, or within 120 days.

#### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Neither Luminate nor its Advisory Affiliates currently use solicitors for client referrals (though such parties or their affiliates may use placement agents in the future). Although unlikely, to the extent Luminate (or its Advisory Affiliate) decide to engage the services of a solicitor in the future, such referral activities will be conducted in a manner that is consistent with Advisers Act Rule 206(4)-3 and relevant SEC guidance, including No-Action Letters.

Luminate currently has retained Moelis & Company LLC to solicit commitments from prospective investors in exchange for a non-refundable fee equal to 0.8% of the aggregate principal amount of any capital commitments (other than capital commitments from Luminate investors and restricted governmental investors), in addition to the reimbursement of certain expenses.

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

## ITEM 15 – CUSTODY

Pursuant to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), Luminate is deemed to have custody of the assets held by the Fund because Luminate or an Advisory Affiliate of Luminate has legal ownership of, or access to, Advisory Clients funds or securities.

To ensure compliance with the Custody Rule the funds and securities owned by Advisory Clients are held with a qualified custodian, as defined in the Custody Rule (i.e. a bank or broker-dealer). To comply with Rule 206(4)-2, Luminate will ensure that each Fund is subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“**PCAOB**”) and that the audited financial statements of the Fund are prepared in accordance with generally accepted accounting principles (“**GAAP**”) and distributed to investors within 120 days of the end of the Fund’s fiscal year. The Funds are also subject to audit upon liquidation. In the event of a liquidation audit, the audited financial statements will be distributed to all investors promptly after the completion of such audit. Investors should carefully review all such audited financial statements.

## **ITEM 16 – INVESTMENT DISCRETION**

Luminate is retained by Advisory Clients to render advice on matters relating to the acquisition, management and disposition of investments, in all cases subject to the direction, supervision and review of Luminate (as detailed in the Governing Documents). The Governing Documents detail the investment strategy and the investment limitations applicable to each Advisory Client.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Luminate understands and appreciates the importance of proxy voting. Based upon Luminate's investment strategy of investing in software companies (and lack of involvement in publicly traded equities), it does not expect to vote proxies. To the extent Luminate were to ever receive, on behalf of an Advisory Client, a proxy to vote an interest owned by the Advisory Client, Luminate will vote the proxy in the best interest of the Advisory Client after considering any potential conflicts of interest. If a material conflict is identified, Luminate will determine what course of action is in the best interests of the Advisory Client. If in the future, it is contemplated that Luminate may exercise voting authority with respect to any Advisory Client securities; Luminate will adopt proxy policies and procedures that are consistent with Rule 206(4)-6 under the Advisers Act.

## **ITEM 18 – FINANCIAL INFORMATION**

Luminate does not need to provide a balance sheet as Luminate and its Advisory Affiliates do not require or solicit prepayment of advisory fees of more than \$1,200 in fees per Advisory Client, six months in advance. Luminate is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Fund s or Investors. Lastly, Luminate has not been the subject of any such bankruptcy petition at any time during the past ten years.