

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



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This Brochure provides information about the qualifications and business practices of RiverGlade Capital Management, LLC (“RiverGlade”). If you have any questions about the contents of this Brochure, please contact us at (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

RiverGlade is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

As this is the initial filing of RiverGlade’s Brochure, there are no material changes to report.

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#### Item 4 – Advisory Business

RiverGlade Capital, LLC, (together with its fund general partner) (“RiverGlade” or the “Firm”), a Delaware limited liability company, is a private equity firm based in Chicago. Founded in 2017, the Firm primarily invests in control buyouts of growth-oriented lower middle market healthcare services companies.

RiverGlade serves as the investment adviser for, and provides discretionary investment advisory services to, private funds as well as to co-investment special purpose funds established to invest alongside a fund in a single portfolio company. RiverGlade currently manages RiverGlade Capital, L.P. (“Fund I”) and two co-investment funds (the “Co-Investment Funds” and collectively with Fund I, the “Funds”). Each Fund is affiliated with a general partner (“General Partner”) with authority to make investment decisions on behalf of the Funds. The General Partner is deemed registered under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (“Advisers Act”), pursuant to RiverGlade’s registration in accordance with SEC guidance. While the General Partner maintains ultimate authority over the respective Funds, RiverGlade has been designated the role of investment adviser. For more information about the Funds and General Partner, please see RiverGlade’s Form ADV Part 1, Schedule D, Section 7.A. and Section 7.B.(1).

RiverGlade provides investment advisory services as a private equity fund manager to its Funds. Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The Funds invest through privately negotiated transactions in healthcare services companies in the lower middle market. RiverGlade’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities and negotiating the terms of purchase and sale of investments. Investments are made predominantly in nonpublic companies. When such investments consist of portfolio companies, the senior principals or other personnel and/or third parties appointed by RiverGlade will generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

The Firm’s investment advice and authority for each Fund is tailored to the investment objectives of that Fund; RiverGlade does not tailor its advisory services to the individual needs of investors in its Funds. These objectives are described, as applicable, in the private placement memorandum, limited partnership agreement, investment advisory agreements, side letter agreements and other governing documents of the relevant Fund (collectively, “Governing Documents”). The Firm does not seek or require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities. Investors in the Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Governing Documents. RiverGlade has entered into side letters or similar agreements with certain investors including those who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of RiverGlade in each case that

have the effect of establishing rights under, or altering or supplementing, a Fund's Governing Documents. Such rights include advisory committee appointments, alternative investment vehicle participation, distributions in-kind, transfers, information rights and reporting obligations, most favored nations, regulatory compliance and tax matters, among others. Side letters are negotiated at the time of the relevant investor's capital commitment, and once invested in a Fund, investors generally cannot impose additional restrictions on such Fund.

RiverGlade is owned by Managing Partners Garrick M. Rice and Daniel W. Rosenberg. For more information about RiverGlade's owners and executive officers, see RiverGlade's Form ADV Part 1, Schedule A. As of March 31, 2019, RiverGlade manages approximately \$277,299,776 in Fund assets, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

RiverGlade receives a management fee and the General Partner is allocated carried interest as compensation for providing investment advisory services to the Funds. The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds do not charge certain fees, compensation or expenses that other Funds charge or may charge them in different amounts. RiverGlade entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Fund, as described more fully below. Such additional compensation generally will reduce in whole or in part the management fees otherwise payable to RiverGlade. Investors should refer to the Governing Documents of the applicable Fund for a complete understanding of how RiverGlade is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

### **Management Fees**

RiverGlade charges Fund I a management fee (the "Management Fee") of 2% per annum of non-affiliated investors' aggregate commitments, assessed quarterly in advance. Generally, Management Fees are initially calculated based upon each investor's committed capital for the period of time during which Fund I is making investments; thereafter, the Management Fee will be equal to 2% per annum of each investor's invested capital, subject to various other factors. Management Fees were negotiated with Fund I's investors during the fundraising period and are not subject to further negotiation thereafter. Management Fees may differ from one Fund to another and certain Funds may not pay Management Fees.

The General Partner is permitted, in its sole discretion, to waive all or a portion of the Management Fee, however Management Fees are the same for all investors in Fund I. Fees are typically waived for RiverGlade employees, affiliates and their respective families investing in Fund I.

Management Fees are generally reduced by (i) placement fees, as well as costs incurred by RiverGlade in connection with the organization of a Fund that exceed the limit as specified in such Fund's

Governing Documents; and (ii) certain supplemental fees and compensation with respect to portfolio investments, including break-up fees, directors' fees, transaction fees (including closing fees, investment banking fees, consulting fees, placement fees and other similar fees), monitoring fees and consulting fees, the amount of which are paid by the applicable Fund (directly, or indirectly by the portfolio companies) and are determined by RiverGlade on a transaction-by-transaction basis, subject to the terms set forth in each Fund's Governing Documents.

Specifically, for Fund I the Management Fee will be reduced by (i) 100% of any break-up fees, directors' fees and transaction fees, and (ii) 80% of any monitoring fees; *provided*, following the quarterly period in which the aggregate monitoring fees subject to the 80% offset exceed \$5 million for any given calendar year, RiverGlade shall apply 100% of any monitoring fees received during such calendar year in excess of \$5 million to reduce the Management Fee, as further described in Fund I's Governing Documents.

Any such reduction of a Fund's Management Fee is typically (i) limited to the extent of such Fund's proportionate interest in any such portfolio company, (ii) not applicable to fees received by Operating Partners, Executive Healthcare Advisory Council members or other non-RiverGlade persons (each as more fully defined below) and (iii) shall not include (A) any monitoring fees received from a Co-Investment Fund's interest in such portfolio company, (B) any amounts received by RiverGlade from a portfolio company as reimbursement for out-of-pocket expenses directly related to such portfolio company, (C) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, or (D) as compensation for services provided by a person as an employee of, or in a similar capacity for, such portfolio company.

Management Fee reductions are applied to the quarterly period immediately succeeding the quarterly period (or other applicable preceding period) in which the offset was received. In the event that the aggregate amount of offsets to be applied against the Management Fee exceeds the Management Fee payable for the immediately succeeding quarterly period, the excess shall be carried forward to reduce the Management Fee payable in following quarterly periods. If a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons. The amount and manner of such reduction is set forth in Governing Documents of Fund I.

### **Carried Interest**

The General Partner is entitled to be allocated carried interest ("Carried Interest") with respect to Fund I. Such Carried Interest is generally equal to 20% of realized profits net of expenses in excess of an 8% compounded preferred return and catch-up provisions. Fund I's Carried Interest calculation as well as any clawback provisions are further described (i) in full detail in the relevant Fund's Governing Documents and (ii) more briefly in Item 6, below. Investors in the Co-Investment Funds are typically not subject to Carried Interest.

## Fund Expenses

The Funds are responsible for all fees, costs, expenses, liabilities and obligations relating to such Fund's activities, investments and business (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), *which differ across Funds*, including, without limitation all fees, costs, expenses, liabilities and obligations relating to a Fund's activities, investments and business (to the extent not borne or reimbursed by a portfolio company or potential portfolio company, and which differ across Funds), including, without limitation: (i) all fees, costs and expenses attributable to structuring, organizing, acquiring, holding, managing, operating, monitoring, financing, valuing, winding up, liquidating, dissolving and disposing of a Fund's investments (including, without limitation, travel costs, interest and fees on money borrowed by the Fund, registration expenses and commitment, brokerage, finders', custodial and other fees); (ii) legal, accounting, auditing, asset and financial administration (including third party administration), consulting, financing, appraisal (including third party appraisal), custodian, depository, brokerage, finders' and other fees and expenses; (iii) expenses associated with the preparation of a Fund's financial statements, tax returns, tax estimates, Schedule K-1s and any other reports or information to be delivered to investors (including, without limitation, costs of development, implementation and maintenance of investor information portals or secure websites and electronic reporting) and any administrative, regulatory or other reporting or filing directly attributable to a Fund (such as those contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation to the extent directly attributable to the Fund); (iv) premiums and expenses for insurance protecting the Fund, the General Partner, RiverGlade, any of their respective affiliates, members of the advisory committee and any of their respective officers, directors, members, partners, employees and agents from liabilities to third parties in connection with a Fund's affairs (including the full cost of directors and officers, errors and omissions liability, cybersecurity and other insurance), (v) costs and expenses of the advisory committee; (vi) all other fees, costs and expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary costs, expenses and liabilities of the Fund (including, without limitation, litigation and indemnification costs and expenses, judgments and settlements); (vii) all out-of-pocket fees and expenses incurred by the Fund, any RiverGlade person or any member of the Executive Healthcare Advisory Council relating to investment and disposition opportunities for the Fund which are not consummated by the Fund (including, without limitation, expenses related to transactions that may have been offered to co-investors and legal, accounting, auditing, consulting, and other third party fees and expenses, financing commitment fees, real estate title and appraisal costs, and other due diligence expenses); (viii) all unreimbursed out-of-pocket fees and expenses incurred by the Fund, any RiverGlade person or any member of the Executive Healthcare Advisory Council in connection with any conference or meeting organized by RiverGlade for investors or portfolio company senior executives, (ix) the Management Fee; and (x) any taxes, fees and other governmental charges levied against the Fund, *but not including* (A) Organizational Expenses (as defined below), (B) any placement fees, and (C) ordinary overhead and administrative expenses which are payable by RiverGlade and (D) any expenses included as part of the definition of "investment contributions" as defined in the Governing Documents. For more information about RiverGlade's brokerage practices, please see Item 12, below.

## **Offering and Organizational Expenses**

Each investor will bear its pro rata share of organizational and startup expenses, including, without limitation, travel, printing, legal, capital raising, filing, accounting, regulatory compliance (including, without limitation, initial compliance contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation) and any other administrative or other filings incurred in connection with the organization and funding of Fund I, any parallel funds and the General Partner, including the preparation of, and negotiations with respect to, the Governing Documents and any side letters or similar agreements, but not including any placement fees (“Organizational Expenses”).

The General Partner will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of \$1.25 million, if any, and of any placement agent fees incurred in connection with the formation of Fund I. Organizational Expenses for the Co-Investment Funds vary by Fund.

## **Third-Party Professional Fees and Expenses**

It is RiverGlade’s practice to retain certain executives, including operating partners and executive healthcare advisory council members (together, “third-party professionals”) to provide services to (or with respect to) the Funds or to certain current or prospective portfolio companies in which a Fund invests. Operating partners (“Operating Partners”) are professionals retained by RiverGlade as non-employee consultants to (i) provide specialized operations and consulting services to RiverGlade, the Funds, the portfolio companies or subsidiaries of portfolio companies and/or (ii) serve as a member of the board of directors (or similar governing body) of a portfolio company or a subsidiary of a portfolio company. Executive healthcare advisory council members (“Executive Healthcare Advisory Council” members) are professionals retained by RiverGlade as non-employee consultants to provide services in relation to the identification, introduction, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. Executive Healthcare Advisory Council member services may also include serving in management or policy-making positions for RiverGlade portfolio companies. There can be no assurance that any of the third-party professionals will continue to serve in such role and/or continue their arrangement with RiverGlade and/or any portfolio company throughout the terms of the Funds.

Third-party professionals do not receive regular compensation from RiverGlade; however, such executives may receive compensation, including, but not limited to, transaction fees, a profits or equity interest in a portfolio company, or other compensation, which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such executives, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Third-party professionals typically incur expenses while working with RiverGlade portfolio companies, and such expenses are paid or reimbursed by either RiverGlade, the relevant portfolio company or the relevant Fund. RiverGlade



often appoints third-party professionals to serve on the board of a portfolio company, and in connection with such board service third-party professionals will generally earn a fee and/or are given the opportunity to invest in a portfolio company. Third-party professionals may also perform work for a portfolio company in addition to board service, and may earn fees as negotiated and paid by the relevant portfolio company. Third-party professionals will be reimbursed for the cost of their travel to and from portfolio company board meetings and other portfolio company business and such expenses are generally borne by the relevant portfolio company which the third-party professional is advising, but may also be paid by the relevant Fund. None of these fees, bonuses, profit interests, other compensation or reimbursements received by third-party professionals are subject to the Management Fee offset provisions.

### **Co-Investment Fund Fees and Expenses**

As described above, in certain circumstances, RiverGlade permits certain investors of Fund I to co-invest in investments alongside the Fund, subject to RiverGlade's related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements. Management Fees and other co-investor related compensation does not reduce Management Fees paid by Fund I. Where a co-investment vehicle is formed, such entity will bear expenses related to its organization, formation and operation, many of which are similar in nature to those borne by Fund I. Investors in a Co-Investment Fund typically do not bear Management Fees and are typically not subject to Carried Interest but may bear a transaction fee.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any fees and expenses relating to such proposed but not consummated transaction ("broken deal expenses") therefore would generally be borne by the Fund or Funds selected as proposed investors for such proposed transaction and not by any prospective co-investors that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a Co-Investment Fund or other vehicle in connection with such transaction or are contractually committed to invest in such Co-Investment Fund or other vehicle, such vehicle is expected to bear its share of such broken deal expenses.

### **Portfolio Company Remuneration**

As mentioned above, RiverGlade receives certain supplemental fees and compensation with respect to portfolio investments, including break-up fees, directors' fees, transaction fees (including closing fees, investment banking fees, consulting fees, placement fees and other similar fees), monitoring fees, consulting fees, or other remuneration (including any options, warrants or other equity securities), the amount of which are paid by the Funds directly (or indirectly, when paid by the portfolio companies) and are determined by RiverGlade on a transaction by transaction basis, subject to the terms set forth in each Fund's Governing Documents. All such fees received are offset in whole or in part against the Management Fee as described above, net of any expenses incurred in connection with such portfolio investment; however, any such fees received by non-RiverGlade employees or third-party

professionals are not subject to an offset against Management Fees. Any reduction of a Fund's Management Fee is typically limited to the extent of such Fund's proportionate interest in any such portfolio investment and only to the extent a Management Fee is payable by such Fund.

Each portfolio company typically pays for or reimburses the Firm for the travel of RiverGlade employees to visit such portfolio company. Any reimbursement by a portfolio company of out-of-pocket expenses incurred by RiverGlade, a General Partner or their respective affiliates will not be offset against the Management Fee payable by the Funds.

From time to time, RiverGlade, in its sole discretion, may agree to pay a transaction fee, portion of the Management Fee, Carried Interest or other fee received from an actual or prospective portfolio company to a third party, such as a consultant, adviser, third-party professional, finder, placement agent, broker and/or investment bank. In such event, the third party fee is not a fee that RiverGlade is entitled to retain and, therefore, RiverGlade is not required under the terms of the applicable Governing Documents to share such third party fees with a Fund.

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

In good faith and in its fair and reasonable discretion, RiverGlade determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a portfolio company. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, RiverGlade will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation.

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

A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the funds it manages. As described above in Item 5, the General Partner receives a Carried Interest allocation on certain realized profits in the Funds equal to 20% of all realized profits (although some Co-Investment Funds are not subject to a Carried Interest allocation) subject to an 8% annually compounded preferred return (or hurdle) and subject to reimbursement of all relevant Fund expenses, including Management Fees. The Carried Interest allocated to a General Partner is subject to a potential giveback if the respective General Partner has received excess cumulative distributions. Each Fund's Carried Interest calculation, as well as the clawback provisions of each Fund, is further described in the relevant Fund's Governing Documents.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund, in its sole discretion, is permitted to waive or reduce the amount of Carried Interest for certain Fund investors. Specifically, if principals and employees and their respective family are Fund investors, they will generally pay reduced Carried Interest or none at

all. Similarly, investors in Co-Investment Funds generally pay a lower amount of Carried Interest on the co-investment portion of their investment.

The fact that the General Partner's Carried Interest allocations are based on the performance of each Fund can create an incentive for RiverGlade to make investments that are more speculative than would be the case in the absence of such distributions. The Firm believes this incentive is sufficiently mitigated, however, due to the fact that any losses the Funds sustain will reduce the General Partner's Carried Interest distribution and the fact that Carried Interest is generally calculated only after investors have received as distribution 100% of their capital contributions plus a preferred return.

Investment opportunities which satisfy the investment parameters of more than one Fund will be allocated in accordance with RiverGlade's policies and procedures and in accordance with the applicable Governing Documents. RiverGlade's policies and procedures for the allocation of investments are determined by the Investment Committee.

### **Item 7 – Types of Clients**

RiverGlade provides investment advice to its Funds. The Funds limit their respective investors to: (i) "accredited investors" as defined in the Securities Act of 1933, and (ii) "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act of 1940, or (iii) "qualified clients," as defined in the Advisers Act. Investors in the Funds must also meet certain other suitability qualifications prior to making an investment in the Funds. The Funds are not registered or required to be registered under the Investment Company Act of 1940; their securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere. The minimum capital commitment for each institutional investor is \$5 million and for each individual investor is \$1 million, although the Fund's General Partner may accept capital commitments of lesser amounts in its sole discretion.

The investors participating in the Funds include high net worth individuals, other investment entities, university endowments, family offices, pension plans, trusts, estates or charitable organizations, corporations, limited partnerships, limited liability companies or other business entities, and typically include, directly or indirectly, principals or other employees of RiverGlade.

RiverGlade also serves as the investment manager for co-investment vehicles that invest alongside a Fund in certain Fund portfolio companies. Opportunities to participate in co-investment opportunities arise when RiverGlade has the opportunity for an investment in an existing or prospective portfolio company and RiverGlade determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Governing Documents, side letter agreements and such other factors as RiverGlade will consider in its sole discretion, including those specified from time to time in its policies on investment allocation and co-investments. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment

opportunity. Opportunities to invest in a portfolio company are made available to select persons or entities, who may or may not be Fund investors, including, without limitation, strategic investors, lenders, deal sources (including finders and consultants), other sponsors (including other private equity or venture capital firms), Fund investors, service providers, other persons or entities affiliated, associated or otherwise known to RiverGlade or its personnel and unrelated third parties.

Additionally, RiverGlade can cause some co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or Carried Interest (or imposing a different Management Fee or Carried Interest) on other co-investors. In RiverGlade's sole discretion, some co-investment vehicles and/or co-investors bear all or a portion of certain expenses (*e.g.*, legal and other expenses associated with a portfolio company investment), while other co-investment vehicles and/or co-investors do not share in such expenses. Co-investment vehicles typically invest and dispose of their investments in the applicable portfolio company at the same time and on substantially the same terms as Fund I. However, from time to time, for strategic and other reasons, a co-investment vehicle may purchase a portion of an investment from Fund I after Fund I has consummated its investment in the portfolio company. Any such purchase from Fund I by a co-investment vehicle generally would occur shortly after the Fund's completion of the investment (also known as post-close warehousing or bridge financing). The participants in the co-investment vehicle may be charged interest on the purchase to compensate Fund I for the applicable holding period. Some co-investors are provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a RiverGlade portfolio company. Positions on boards of directors or advisers of such portfolio companies provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

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

The Funds invest in control buyouts of growth-oriented lower middle market healthcare services companies with approximately \$5 million to \$15 million of EBITDA and may also selectively make growth equity investment in such companies. Following a research and thesis-driven investment approach, the Funds focus on founder-owned businesses with differentiated business models and proven organic growth. RiverGlade seeks to create value for its portfolio companies by installing highly qualified CEOs with an experienced board of directors and professionalizing/institutionalizing the business for scale and successful achievement of long-term growth objectives. Additionally, RiverGlade pursues investments in which it is able to capitalize on multiple growth levers and identify several potential exit opportunities for the business.

The Funds will focus primarily the following business models:

- Multi-site and alternative site care;
- Outsourced services to payors and providers; and

- Tech-enabled services

## **Risk Factors**

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

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

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

*Need for Follow-On Investments.* Given the Funds' investment strategy, the Funds intend to provide additional assets to its platform companies in order to make add-on acquisitions. The Funds will often have the opportunity to increase their investment in a successful portfolio company. However, there is no assurance that a Fund will be able to make follow-on investments or that a Fund will have sufficient capital to make all of the follow-on investments that it desires. Any decision by a Fund not to make a follow-on investment or its inability to make such investments can have a substantial negative impact on a platform or portfolio company in need of such investment or result in a lost opportunity for a Fund to increase its participation in a successful portfolio investment.

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

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

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

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

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

*Investments Longer than Term.* It is possible that a Fund may make investments which will not be advantageously disposed of prior to the date such Fund is dissolved, either by expiration of the Fund's term or otherwise. Although RiverGlade expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and although RiverGlade has a limited ability to extend the term of a Fund, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of a Fund RiverGlade (or the relevant liquidator) will be required to use reasonable efforts to reduce to cash and cash equivalents such assets of a Fund as RiverGlade or such liquidator shall

deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations (including legal restrictions on the ability of an investor to hold any assets to be distributed in kind), over such time as is reasonably necessary to settle gradually and close a Fund's business under the circumstances then applicable to the Fund, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.

*General Economic and Market Conditions.* The private equity industry generally, and the success of the Funds' 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 RiverGlade. General fluctuations in the market prices of securities and economic conditions generally have the potential to reduce the availability of attractive investment opportunities for the Funds and may affect a Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) can also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Volatility and illiquidity in the financial sector can have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects can include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Fund to dispose of investments at prices that RiverGlade believes reflect the fair value of such investments. The impact of market and other economic events can also affect a Fund's ability to obtain funding to support its investment objectives. Any of the foregoing events could result in substantial or total losses to a 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.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Increased government regulation and oversight of lenders or potential lenders may reduce available credit and depress the value of leveraged assets. Moreover, to the extent that such marketplace events are not temporary and continue, they have the potential to have an adverse impact on the availability of credit to businesses generally and could lead to an overall

weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Funds to realize its investments at favorable times or for favorable prices.

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

*Use of Leverage.* The Funds are permitted to make use of leverage by having a portfolio company incur debt to finance a portion of their investment in such portfolio company, including in respect of companies not rated by credit agencies. While investments in leveraged companies offer the opportunity to improve rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments, and the magnification of the risk of loss can be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a 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 a Fund's investments in the leveraged portfolio companies in a down market. In the event a portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, a Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect a



Fund's ability to generate attractive investment returns for such Fund as a whole. Any failure by lenders to provide previously committed financing could also expose a Fund to potential claims by sellers of businesses which such Fund may have been contracted to purchase.

*Non-Controlling Investments.* While not its primary strategy, the Funds 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, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of its minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Investments in Growth-Stage Companies.* While not its primary strategy, RiverGlade may invest in growth-stage companies. Investments in growth-stage companies have the potential to involve greater risks than generally are associated with investments in more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance. There can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other portfolio investments.

*Director Liability.* The Funds 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 a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Funds' investment activities.

*Non-U.S. Investments.* The Funds may invest in portfolio companies that are organized 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, (i) currency exchange matters, including the risks associated with fluctuating currency exchange rates, (ii) potentially unsettled points of applicable governing law, (iii) the application of complex U.S. and non-U.S. tax rules to cross-border investments, (iv) possible imposition of non-U.S. taxes on the Fund and/or the investors with respect to a Fund's income, (v) possible non-U.S. tax return filing

requirements for the Fund and/or the investors, (vi) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative liquidity of some non-U.S. securities markets, (vii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and variations in government supervision and regulation, and (viii) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation.

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

*Past Performance; No Assurance of Investment Return.* The investment performance of prior investments made by RiverGlade's principals is not necessarily indicative of the Funds' future results. While RiverGlade intends to make investments which have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted IRR will be achieved. On any given investment, total loss of principal is possible. There is no assurance that the Funds will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions described herein. An investment in the Funds should only be considered by persons who can afford a loss of their entire investment. An investment in the Funds requires a long-term commitment, with no certainty that a Fund will realize its rate of return objectives or that capital loss will not occur. There can be no assurance that the Funds' investment objective will be achieved or that an investor will receive a return of its capital.

*Portfolio Concentration.* With the exception of the Co-Investment Funds, generally no more than 20% of the aggregate commitments will be invested in any single portfolio company (including any bridge financings), and diversification is not a requirement of the Funds. Accordingly, Fund I's portfolio investments may include a small number of large positions while each Co-Investment Fund will include only one position. While this portfolio concentration may enhance total returns to investors, if any large position has a material loss, then returns to investors are expected to be lower than if they had invested in a well-diversified portfolio.

*Risk of Limited Number of Investments.* Because it is possible that the Funds will only make a limited number of investments and such investments generally may involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to investors, particularly in the case of the Co-Investment Funds. Other than as set forth in the Governing Documents, investors have no assurance as to the degree of diversification of a Fund's investments, either by geographic region, asset type or sector. To the extent a Fund concentrates portfolio investments in a particular issuer, security or geographic region, as is the case with the Co-Investment Funds, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of one or a small number of portfolio investments. Moreover, because it is not reasonable to expect all of a Fund's investments to perform well or even return capital, for a Fund to achieve above average returns one (in the case of the Co-Investment Funds) or a few of its investments must perform very well. There are no assurances that this will be the case.

*Unspecified Investments.* An investor acquiring interests must rely upon the ability of RiverGlade to identify, structure and implement investments consistent with the Funds' investment objectives and policies. Fund I, however, may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of the Funds will depend on the ability of RiverGlade to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of such investments. Furthermore, to the extent the investment strategy of the Funds rely upon the recovery, stabilization or improvement of market and economic conditions and such events do not occur for an extended period of time, Fund I may not be able to invest a significant portion of its commitments during the commitment period.

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

*Dilution from Subsequent Closings.* Investors admitted to Fund I at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing investors in such investments. Although any such new investor 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.

*Liability of Investors.* Each Fund has been organized as a Delaware limited partnership. Generally, an investor should not be personally liable for the debts of a Fund except that, in the event the Fund is otherwise unable to meet its obligations, the investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them. Moreover, any investor's commitment is susceptible to risk of loss as a result of any liability of a Fund irrespective of whether such liability is attributable to a portfolio investment to which such investor did not contribute any capital. If a Fund is otherwise unable to meet its obligations, the investors may be obligated to return, with interest, distributions previously received by them pursuant to laws regarding fraudulent conveyances to creditors whose interests have been injured.

*Indemnification; Absence of Recourse.* The Funds will be required to indemnify RiverGlade, the General Partner, the members of the advisory committee, and their respective managers, members, investors, officers, directors, shareholders, employees, advisors, agents, affiliates, assigns, representatives, personnel and other covered persons against claims, liabilities, damages, costs and expenses (including legal fees, judgments, amounts paid in settlement and reasonable expenses of investigating or defending against any claim or alleged claim) incurred by them by reason of their activities or omissions or alleged activities or omissions (even if negligent) on behalf of a Fund or its investors, subject to certain exceptions. Additionally, such parties may be entitled to exculpation by a Fund. Such liabilities may be material and have an adverse effect on the returns to investors. For example, in their capacity as directors of portfolio companies, RiverGlade or its affiliates may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unfunded commitments of the investors. If the assets of the Fund are insufficient, the General Partner may recall distributions previously made to the investors (subject to certain limitations).

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

*Reliance on General Partner and RiverGlade.* Decisions made with respect to the management of the Funds are made by the General Partner and RiverGlade. The General Partner and RiverGlade will have exclusive responsibility for the Funds' activities and, other than as set forth in the Governing Documents, investors will not be able to make investment or other decisions with respect to the management of the Funds. The success of the Funds will depend on the ability of the General Partner,

RiverGlade, the principals and RiverGlade's other investment professionals to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of the investments of the Funds at a profit. The loss of the services of one or more of the principals or such other persons could have an adverse impact on the Funds' ability to realize its investment objectives. There can be no assurance that each of the principals and other investment professionals will continue to be associated with the Funds throughout its anticipated term.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, RiverGlade will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Accordingly, the valuation decisions made by RiverGlade may cause it to ineffectively manage the Funds' investment portfolio and risks and may also affect the diversification and management of a Fund's portfolio of investments. Additionally, the exercise of discretion in valuation by RiverGlade can 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.

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

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

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

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

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

*Dependence on Patents, Trademarks and Other Intellectual Property.* Many companies in the healthcare industry depend heavily on intellectual property rights, including patents, trademarks and service marks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a portfolio company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product.

*Healthcare Regulation, Reimbursement and Reform.* Various segments of the healthcare industry are (or may become) (i) highly regulated at both the state and federal levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of these laws and regulations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the portfolio companies. The extensive government regulation of the healthcare industry creates additional uncertainty and risks for the Funds. Obtaining government approval when required is a lengthy and expensive process with an

uncertain outcome. Portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, for any of the services they propose to render or products they are developing, and the failure to obtain regulatory approval could have a material, adverse effect on the success of the portfolio companies. Moreover, the current regulatory framework may change or additional regulations may arise at any stage during the lifecycle of a portfolio company, which may affect the company's ability to obtain approval of its products. There may be future changes that result in reductions in current coverage and reimbursement levels for current and future products and services, and RiverGlade cannot predict the scope of any future changes or the impact that those changes would have on the operations or potential profitability of any of a Fund's portfolio companies. Any of these changes could negatively affect the future revenues and potential profitability of the Funds' portfolio companies. Healthcare systems outside of the United States are also subject to significant change. It is not clear at this time what changes, if any, will occur and what effect such proposals would have on the healthcare industry.

### **Potential Conflict of Interest**

Investors should be aware that there will be occasions when RiverGlade may encounter potential conflicts of interest in connection with managing the Funds. The following discussion identifies certain potential conflicts of interest that should be carefully considered before making an investment in a Fund. In addition, investors should be aware that RiverGlade, its personnel, and its affiliates may in the future engage in further activities that may result in additional conflicts of interest not addressed below. There can be no assurance that RiverGlade will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to a Fund.

If any matter arises that RiverGlade determines in its good faith judgment constitutes an actual or potential conflict of interest, RiverGlade may take such actions as may be necessary or appropriate to ameliorate such conflict (and upon taking such actions, RiverGlade will be relieved of any responsibility for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law). These actions can include, by way of example: (i) disposing of the security giving rise to the conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the advisory committee regarding the conflict of interest and either obtaining a waiver from the advisory committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the advisory committee with respect to such conflict of interest.

In addition, investors should note that the Governing Documents contain provisions that, subject to applicable law, (i) reduce, modify or eliminate the duties, including fiduciary duties, that the General Partner would otherwise owe to a Fund and its investors; (ii) waive duties or consent to the conduct

of the General Partner that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of an investor with respect to breaches of such duties.

Additionally, the Governing Documents contain exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provide that RiverGlade and its employees and affiliates, among others, will be held harmless and indemnified, respectively, for matters relating to the operation of the Funds, including matters that may involve one or more potential or actual conflicts of interest.

*Allocation of Investment Opportunities.* Certain conflicts between the Funds and its investors, on one hand, and the General Partner and its affiliates or principals, on the other hand, may arise with respect to the allocation of prospective investment opportunities. Although RiverGlade is obligated to present to Fund I all investment opportunities that it believes in good faith are suitable for and in the best interests of the Fund, the General Partner may cause Fund I to forego certain investment opportunities in which RiverGlade and its respective members, employees or affiliates may invest, even though such prospective investment opportunities arguably may have been suitable for investment by Fund I. Additionally, none of the General Partner, RiverGlade or their respective members, employees or affiliates shall be restricted with respect to (i) follow-on investments in portfolio companies of any predecessor investment vehicles sponsored or managed by RiverGlade, (ii) any successor fund, (iii) investment opportunities requiring a total equity investment of less than \$2 million, or (iv) permitted co-investments by the General Partner, RiverGlade and their respective members, employees and affiliates.

*Conflicts with Portfolio Companies.* In connection with the equity investments of the Funds, officers and employees of RiverGlade or its affiliates may serve as directors of a portfolio company and in such capacity will be required to make decisions that consider the best interests of such portfolio company. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to RiverGlade in connection with services provided by the Firm and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the partnership agreement's offset provision, are in addition to the Management Fee or Carried Interest. RiverGlade's authority to appoint or influence the appointment of portfolio company board members who will potentially be involved in approving compensation payable to the Firm subjects RiverGlade and any such portfolio company board appointees to potential conflicts of interest. In certain circumstances, such as situations involving bankruptcy or near insolvency of a portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interests of the Fund and vice versa. Accordingly, in these situations, there will be conflicts of interests between such individual's duties as an officer or employee of RiverGlade or such affiliate and such individual's duties as a director of such portfolio company.

*Affiliate Transactions.* From time to time, affiliates of RiverGlade may provide services to the Funds or its portfolio companies. In such event, such services will be provided at no greater cost than would



be the case if independent third parties were to provide such services. However, normally such services will not be put out for competitive bidding by third parties, and the determination of the competitive cost or rates for such services will be made by RiverGlade in its sole discretion.

*Time and Attention.* The General Partner and its affiliates may become involved in the operation and management of other private equity funds as well as other businesses and, while it is expected that they will devote an adequate amount of time to the management of the Funds, conflicts of interest can arise with respect to allocating their professional time between the Funds and their various other business pursuits.

*Co-Investments.* RiverGlade, in its sole discretion, provides or commits to provide co-investment opportunities to one or more investors and/or third persons, in each case on terms to be determined by RiverGlade 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 RiverGlade in its sole discretion, may not be in the best interests of the Funds or any individual investor. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms thereof, RiverGlade will consider some or all of a wide range of factors, which include, but are not limited to: the ability of a person to react promptly to co-invest opportunities; any strategic advantages that may result from a person's participation in a co-investment opportunity; a person's commitment to the Funds; and/or the likelihood that a person may invest in a future fund sponsored by RiverGlade. RiverGlade may also, in its sole discretion, charge a Management Fee and obtain a Carried Interest in respect of any such co investment.

Co-investments with third parties through partnerships, joint ventures or other entities or arrangements can 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 Funds, may have financial difficulties (which may increase the possibility of default), or may be in a position to take (or block) action contrary to the investment objectives of the Fund. In addition, the Funds may in certain circumstances be liable for actions of its third-party co-venturer or partner. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such co-investments, including incentive compensation arrangements.

*Allocation of Expenses.* RiverGlade and its affiliates from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. To the extent such fees, costs and expenses are incurred for the account or for the benefit of more than one Fund, each Fund will typically bear an allocable portion of any such fees, costs and expenses in proportion to the size of the investment made or proposed to be made by each in respect of the entity to which the expense relates or in such other manner as RiverGlade considers fair and equitable. Although RiverGlade and its affiliates will endeavor to allocate such fees, costs and expenses on a fair and

equitable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Notwithstanding the foregoing, RiverGlade and its affiliates may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.

*Other Fees.* RiverGlade and its affiliates receive certain cash and non-cash fees from portfolio companies in connection with the purchase, monitoring or disposition of portfolio investments or in connection with unconsummated transactions (e.g., transaction, directors, consulting, management, investment banking, advisory, closing, topping, break-up and other similar fees). Except for the Management Fee offsets, investors will receive no benefit from such fees.

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

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

*Illiquidity and Lack of Current Distributions.* An investment in the Funds should be viewed as illiquid, and generally will be neither transferable nor subject to withdrawal prior to termination. There is no market for interests in the Funds, and none is expected to develop. Thus, investors may not be able to liquidate their investment, and interests in the Funds may not readily be accepted as collateral for a

loan. Moreover, interests in the Funds are not redeemable and investors may not transfer their interests in a Fund without prior consent of the General Partner, which may be withheld for any or no reason, in its sole discretion.

It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment can be sold at any time, it is expected that dispositions generally will occur a number of years after initial investment. Prior to disposition, there will generally be no current return on investments. Moreover, the expenses of operating the Funds, including payment of the Management Fees, may exceed a Fund's current income, thereby requiring payment of expenses through the use of a Fund's capital.

*Transactions with the Funds Investors.* RiverGlade has admitted certain investors into the Funds that are or may become service providers of, or business partners with, the Firm (including, without limitation, investors who are lenders, insurance agents, investment banks, broker-dealers, placement agents and legal counsel). RiverGlade will be subject to a conflict of interest in negotiating the terms of any service or business arrangement between such investors and the Firm because the Firm will typically benefit from retaining such investors' investments in the Funds.

*Employees and Service Providers.* It is possible that RiverGlade will, from time to time, employ personnel with pre-existing ownership interests in, or who were employed by portfolio companies owned by, RiverGlade Funds; conversely, it is possible that former personnel or executives of RiverGlade will serve in significant management roles at portfolio companies or at service providers recommended by RiverGlade. Similarly, RiverGlade and/or its personnel maintain relationships with financial institutions, service providers and other market participants, including managers of private funds, law firms, banks and brokers. Certain of these persons or entities will engage in transactions with and/or provide services (including services at reduced rates) to RiverGlade and/or the Funds.

Over the life of a Fund, RiverGlade generally expects to exercise its discretion to recommend to the Funds or to a portfolio company thereof that it contracts for services with various service providers, potentially including, among others: (i) RiverGlade (or an affiliate, which includes other portfolio companies of the Funds) and at rates determined or substantively influenced by RiverGlade; (ii) an entity with which RiverGlade or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit; or (iii) an investor or its affiliates. This subjects RiverGlade to potential conflicts of interest because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance portfolio company performance, RiverGlade can have an incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that RiverGlade, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer

term benefits to RiverGlade or the Funds), favors such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not RiverGlade has a relationship with 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.

*Products or Services Received by RiverGlade Funds from Portfolio Companies.* From time to time, certain portfolio companies of the Funds provide RiverGlade and its affiliates, employees, employee's friends and families, third-party professionals or board members of such portfolio companies appointed by RiverGlade with products or services that such portfolio companies regularly produce or provide as part of their business operations at reduced rates or without charge.

*Intangible Benefits.* RiverGlade and its employees receive certain intangible and/or other benefits or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses often result in "miles" or "points" or credit in loyalty/status programs to RiverGlade and/or its employees, and such rewards or amounts will exclusively benefit RiverGlade and/or such employees and will not be subject to the offset arrangements or otherwise shared with such Fund, its investors, or the portfolio companies.

## **Item 9 – Disciplinary Information**

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

On occasion, in the ordinary course of its business, RiverGlade, the Funds, or the Funds' portfolio companies (or their respective directors, and executive officers) may be named as defendants in a legal action. Although there can be no assurance of the outcome of such legal actions, RiverGlade does not believe that any current legal proceedings or claims to which RiverGlade, the Funds, or the Funds' portfolio companies (or their respective directors, and executive officers) are a party, if any, would individually or in the aggregate materially affect an investor's or prospective investor's evaluation of the Firm or the integrity of the Firm's management.

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

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

RiverGlade does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to its Funds or its investors. RiverGlade has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage, recruiting and other personal services. Some of these professionals provide services to the Funds or their portfolio companies. Additionally, some of these professionals are investors in RiverGlade Funds, either personally or indirectly through another entity.

As described above in Item 4, RiverGlade is affiliated with the Funds' General Partners which is deemed registered with the SEC under the Advisers Act pursuant to RiverGlade's registration. The General Partner operates as a single advisory business together with RiverGlade and serves as the General Partner of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants, third-party professionals or persons occupying similar positions. The General Partner does not have employees of their own.

From time to time, RiverGlade receives training, information, promotional materials, meals, entertainment, gifts or prize drawings and other perquisites from vendors, and others with whom it does business or to whom it makes referrals. However, at no time will RiverGlade accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider. Similarly, RiverGlade employees have in the past, and expect in the future, to speak at conferences and programs for potential investors interested in investing in private funds that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction events, prospective investors have the opportunity to meet with RiverGlade. Neither RiverGlade nor any Fund compensates these investment bankers, broker-dealers or others for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

RiverGlade does not recommend or select other investment advisers for the Funds.

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

### **Code of Ethics**

Pursuant to Rule 204A-1 of the Advisers Act, RiverGlade has adopted a written code of ethics ("Code of Ethics" or the "Code") that sets forth standards of conduct expected of supervised persons and

addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business activities, among other topics. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Supervised persons are required to certify to their compliance with the Code of Ethics upon hire and on an annual basis. Supervised persons who violate the Code will be subject to remedial actions, including, but not limited to, censure, suspension or dismissal. Supervised persons are also required to promptly report any violations of the Code of which they become aware.

RiverGlade will provide a copy of its Code of Ethics to any existing or prospective investor upon request to RiverGlade's Chief Compliance Officer, Mark Pridgeon, (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com).

### **Personal Trading**

The personal trading policy for RiverGlade supervised persons is set forth in RiverGlade's Code of Ethics and is acknowledged as received and understood by each supervised person. RiverGlade's personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by a supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund.

RiverGlade's supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding publicly traded securities or communicating material nonpublic information about such securities to others. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. RiverGlade maintains a restricted list of issuers about which it has or may have material nonpublic information. Pre-clearance is required by supervised persons for certain personal securities transactions, including trading in restricted list securities, initial public offerings and certain limited offerings. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of RiverGlade will occasionally carry on investment activities for their own account and for family members or others who do not invest in the Funds, and in connection therewith, can potentially give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds, even if their investment objectives are the same or similar. In addition, principals, employees and affiliates are permitted to buy securities with respect to (i) follow-on investments in portfolio companies of any predecessor investment vehicles sponsored or managed by RiverGlade, (ii) any successor fund, (iii) investment opportunities requiring a total equity investment of less than \$2 million, or (iv) permitted co-investments by the General Partner, RiverGlade and their respective members, employees and affiliates.

Because of the private nature of its portfolio investments, RiverGlade does not typically face a situation where a supervised person buys or sells a security for his or her own account at or about the same time that the Firm is also buying or selling the same securities for the Funds. In the event this were to occur, the supervised person would be required to seek pre-approval from the Chief Compliance Officer for such transaction.

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

Certain RiverGlade employees and family members of RiverGlade employees have invested in the Funds through the General Partner and/or as Fund investors. As mentioned in Item 5 above, RiverGlade generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This also applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser). Cross trades between Funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either Fund. In the context of RiverGlade's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future Fund. Agency cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as broker) between two or more different funds or accounts that are managed by that same adviser or an affiliate. Agency cross transactions can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3) of the Advisers Act. In the context of RiverGlade's business, an agency cross transaction could occur when selling a portfolio company, investment or other asset from one Fund to another.

In the event RiverGlade were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to investors or an advisory committee, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

### **Conflicts of Interest**

If any matter arises that RiverGlade determines in its good faith constitutes an actual conflict of interest, RiverGlade will take such actions as are necessary or appropriate, and as permitted by any applicable Fund's Governing Documents, to address the conflict.

## **Item 12 – Brokerage Practices**

Generally, RiverGlade focuses on securities transactions of private companies and purchases and sells such companies through privately negotiated transactions. In pursuing privately negotiated transactions, RiverGlade will, on occasion, engage the services of a broker-dealer or investment banker in connection with the purchase and sale of a portfolio investment. In such privately negotiated transactions, best execution is met by the consummation of the deal with the best possible terms for the Fund. Whether for private or public securities transactions, RiverGlade selects a broker-dealer or investment banker based on RiverGlade's judgment regarding a variety of factors, which will not be limited solely to ultimate deal price, and including but not limited to: RiverGlade's prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the value of any research services provides; and the commission rates, among other factors.

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

RiverGlade does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive investor referrals in connection with selecting or recommending broker-dealers for the Funds, does not engage in directed brokerage. In the event RiverGlade were to aggregate the purchase or sale of securities for client accounts, it would do so on a pro rata basis.

## **Item 13 – Review of Accounts**

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly RiverGlade's review of them is not directed toward a short-term decision to dispose of securities. RiverGlade closely monitors the portfolio companies of its Funds and a team of investment professionals reviews, without limitation, sales trends, margins, profitability, debt covenants, material business and market developments, forecasted capital needs (if any), competitive landscape and management. The team includes principals and other investment professionals of RiverGlade.



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

RiverGlade provides to investors on behalf of Funds the following written reports: (i) annual audited financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) as promulgated by the Financial Accounting Standards Board (“FASB”), accompanied by the report of the independent certified public accountant, within 120 days of fiscal year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for the completion of tax returns (K-1). Investors in Fund I also receive a quarterly statement of the determination of the value of each investment as of the end of the preceding calendar quarter. The Firm also has contact with investors (e.g., personal visits, telephone, email) throughout the year as conditions warrant.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. RiverGlade responds to these requests, and in answering such requests, provides information that is not generally made available to other investors who have not requested such information. Additionally, upon request, certain investors may receive additional information and reporting that other investors may will not receive.

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

As described in Item 5 above, RiverGlade receives break-up fees, directors’ fees, transaction fees (including closing fees, investment banking fees, consulting fees, placement fees and other similar fees), monitoring fees, consulting fees and reimbursements from the portfolio companies held by the Funds. These fees are paid pursuant to separate agreements entered into with the portfolio companies to provide certain consulting services that RiverGlade believes will ultimately enhance the value of the companies and benefit the Funds and their investors.

These types of arrangements present potential conflicts of interest and provide RiverGlade with an incentive to recommend investments based on compensation received rather than the best interests of the Funds. To help mitigate this potential conflict, an allocable portion of such benefits received by RiverGlade or its employees (but not Operating Partners or Executive Healthcare Advisory Council members) in connection with services rendered to portfolio companies or transactions of the Funds are offset in whole or in part against Management Fees payable by the Funds, to the extent described above in Item 5 and as detailed in each Fund’s Governing Documents.

RiverGlade engaged a placement agent in connection with the offer and sale of interests in Fund I to certain potential investors. Fees for the placement agent are generally calculated as a percentage of limited partner commitments. Placement agent fees are payable by the Fund and any such fees paid offset the Management Fee on a dollar-for-dollar basis, although related expenses incurred pursuant to the placement agent agreement, including but not limited to placement agent travel, meal and

entertainment expenses, typically are borne by the Fund as part of its organizational expenses. The placement agent relationship is disclosed in RiverGlade's Form ADV Part 1.

### **Item 15 – Custody**

RiverGlade is deemed to have custody of the Funds' assets because of its affiliation with each Fund's General Partner and the General Partner's ability to deduct fees from Fund accounts. To comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), RiverGlade has elected to undergo an annual GAAP financial statement audit by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board ("PCAOB") for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end. Investors are encouraged to carefully review such financial statements.

RiverGlade does not, however, accept physical custody of any Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired to the relevant Fund's account maintained with a qualified custodian. RiverGlade receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about RiverGlade's qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

### **Item 16 – Investment Discretion**

RiverGlade generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner, and not to investors in the Funds individually. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement (or similar agreement) with such Fund. Such documents generally contain a power of attorney that grants RiverGlade or the applicable Fund's General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, with limited exceptions, such as certain conflicts of interest as discussed elsewhere in this Brochure, RiverGlade is not required to contact such investor prior to transacting business in a Fund.

Generally, RiverGlade's only restrictions with respect to managing a Fund, such as (but not limited to) the type of securities in which a Fund may invest, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on RiverGlade's authority through a side letter agreement, and the Firm and/or the relevant General Partner can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to RiverGlade and the relevant Fund's General Partner in writing and agreed to by all applicable parties. Other investors meeting certain commitment thresholds are often provided with notification provisions regarding such side letter agreements but are not provided with consent rights over such agreements.

To date, no investors have limited the Firm's discretion to provide investment advice.

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

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

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

RiverGlade will provide a copy of its proxy voting policy to existing or prospective investors upon request to Mark Pridgeon, Chief Compliance Officer, at (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com). Investors may also obtain information from the Firm, free of charge, about how RiverGlade voted any previous public proxies, if any.

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

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

## Brochure Supplement

### Form ADV Part 2B: BROCHURE SUPPLEMENT



### RIVERGLADE CAPITAL MANAGEMENT, LLC

181 W. Madison Street, Suite 4450  
Chicago, IL 60602

Contact: Mark Pridgeon  
Tel: (312) 940-6700  
Email: [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com)  
[www. rivergladecapital.com](http://www.rivergladecapital.com)

**June 27, 2019**

This Brochure Supplement provides information about RiverGlade Capital Management, LLC (“RiverGlade”) that supplements the RiverGlade Brochure. Please contact us at (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com) if you did not receive RiverGlade’s Brochure or if you have any questions about the contents of this supplement.

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

**Garrick Rice**

Year of Birth: 1972

Managing Partner

181 W. Madison Street, Suite 4450

Chicago, IL 60602

(312) 940-6700

**Item 2 – Educational Background and Business Experience**

Garrick Rice has over eighteen years of private equity experience. Before co-founding RiverGlade in 2017, Mr. Rice was Managing Director at Sterling Partners, a private equity firm based in Chicago focusing on founder-owned healthcare services, education and business services companies. During his sixteen years at Sterling Partners, where he served as Managing Director since 2011, Mr. Rice co- led the healthcare services investing practice, and led platform investments within workers' compensation care management, interpretation services for hospitals, outpatient physical therapy, dermatology management services, and ophthalmology/optometry management services. Additionally, Mr. Rice managed numerous diligence and transaction execution efforts, including corporate carve outs, debt financing and refinancing transactions, portfolio company sales to both private equity and strategic buyers, add-on acquisitions and restructurings.

Prior to Sterling Partners, Mr. Rice was Director of Business Development for FOB.com, an internet start-up that developed an online vertical purchasing hub connecting chemical and paper industrial companies with key raw material suppliers. Prior to FOB.com, Mr. Rice was an Investment Banking Associate at Robert W. Baird primarily focused on M&A execution assignments within business and industrial services. Mr. Rice joined the the founding team of Einstein Bros. Bagels supporting the CEO and CFO in corporate and operations finance as the company went from an early stage business through its IPO and initial growth phase. Mr. Rice began his career within the leverage lending group at Bank of America in Chicago, working closely with service-based, family-owned growth businesses.

Mr. Rice is a Board of Trustees Member of the Hadley Institute for the Blind and Visually Impaired. He holds a BBA in finance from the University of Michigan's Ross School of Business and an MBA from Northwestern University's Kellogg School of Management.

**Item 3 – Disciplinary Information**

There are no disciplinary events material to an investor's evaluation of Mr. Rice.

**Item 4 – Other Business Activities**

Mr. Rice serves on the board of directors of several RiverGlade portfolio companies. Mr. Rice's appointment on such boards has been designated to be in the best interests of the Funds and their respective investors. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests can arise between Mr. Rice's fiduciary duties to the portfolio

company on which he serves and his duty to RiverGlade, as it is possible that decisions that are in the portfolio companies' best interests are not in RiverGlade's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interest will generally be aligned; however, in the event of a conflict of interest, Mr. Rice intends to recuse himself from the decision making process. Mr. Rice has in the past and may in the future serve on the boards of companies that are not RiverGlade portfolio companies.

RiverGlade does not believe that any of these outside business activities creates a conflict of interest with RiverGlade or its Funds.

#### **Item 5 – Additional Compensation**

Mr. Rice does not receive an economic benefit for providing advisory services other than the compensation received by RiverGlade.

#### **Item 6 – Supervision**

For compliance matters, Mr. Rice is supervised by RiverGlade's Chief Compliance Officer, Mark Pridgeon, who may be reached at (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com). Mr. Rice is subject to the provisions of the Firm's Compliance Manual and Code of Ethics. For investment matters, the investment committee is responsible for approving and monitoring all investments.

## **Daniel W. Rosenberg**

Year of Birth: 1965

Managing Partner

181 W. Madison Street, Suite 4450

Chicago, IL 60602

(312) 940-6700

### **Item 2 – Educational Background and Business Experience**

Danny Rosenberg has over twenty years of private equity experience. Before co-founding RiverGlade in 2017, Mr. Rosenberg was Managing Director at Sterling Partners, a private equity firm based in Chicago focusing on founder-owned healthcare services, education and business services companies. During his eighteen years at Sterling Partners, where he served as Managing Director since 2005, Mr. Rosenberg co-led the healthcare services investing practice, and led platform investments within inpatient rehabilitation, medical device reprocessing, behavioral-health/substance abuse treatment, free-standing emergency rooms, dental management services, technology-enabled quality measurement, out-sourced surgical suite services, and ophthalmology/optometry management services. Additionally, Mr. Rosenberg managed numerous diligence and transaction execution efforts, including corporate carve outs, debt financing and refinancing transactions, portfolio company sales to both private equity and strategic buyers, initial public offerings, add-on acquisitions and restructurings.

Prior to Sterling Partners, Mr. Rosenberg was an Investment Banking Associate at Vector Securities International, where he focused on M&A and equity offerings for a variety of healthcare businesses. Prior to Vector, Mr. Rosenberg was a Vice President at Heitman Financial, a multi-billion-dollar owner and manager of commercial real estate assets.

Mr. Rosenberg is a founding member, former Chairman, and former Board Member of the Illinois Venture Capital Association, the largest regional private equity association in the United States. He holds an AB in Economics and Public Policy from Duke University and an MBA from Northwestern University's Kellogg School of Management.

### **Item 3 – Disciplinary Information**

There are no disciplinary events material to an investor's evaluation of Mr. Rosenberg.

### **Item 4 – Other Business Activities**

Mr. Rosenberg serves on the board of directors of several RiverGlade portfolio companies. Mr. Rosenberg's appointment on such boards has been designated to be in the best interests of the Funds and their respective investors. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests can arise between Mr. Rosenberg's fiduciary duties to the portfolio company on which he serves and his duty to RiverGlade, as it is possible that decisions

that are in the portfolio companies' best interests are not in RiverGlade's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interest will generally be aligned; however, in the event of a conflict of interest, Mr. Rosenberg intends to recuse himself from the decision making process. Mr. Rosenberg has in the past and may in the future serve on the boards of companies that are not RiverGlade portfolio companies.

RiverGlade does not believe that any of these outside business activities creates a conflict of interest with RiverGlade or its Funds.

#### **Item 5 – Additional Compensation**

Mr. Rosenberg does not receive an economic benefit for providing advisory services other than the compensation received by RiverGlade.

#### **Item 6 – Supervision**

For compliance matters, Mr. Rosenberg is supervised by RiverGlade's Chief Compliance Officer, Mark Pridgeon, who may be reached at (312) 940-6700 or [mpridgeon@rivergladecapital.com](mailto:mpridgeon@rivergladecapital.com). Mr. Rosenberg is subject to the provisions of the Firm's Compliance Manual and Code of Ethics. For investment matters, the investment committee is responsible for approving and monitoring all investments.



**Mark Pridgeon**

Year of Birth: 1975

Chief Compliance Officer and Chief Financial Officer

181 W. Madison Street, Suite 4450

Chicago, IL 60602

(312) 940-6700

**Item 2 – Educational Background and Business Experience**

Mark Pridgeon has thirteen years of private equity finance and accounting experience, and five years of consulting and public accounting experience. Prior to joining RiverGlade as Chief Financial Officer and Chief Compliance Officer in 2017, Mr. Pridgeon was VP of Finance at GTCR LLC, a private equity firm based in Chicago. During his eleven year tenure at GTCR LLC, Mr. Pridgeon was responsible for maintaining the capital accounts for the funds, GPs and related entities. He was involved in the preparation of fund financial statements, capital call and distribution notices, carry and waterfall functions, oversight of annual fund audits, firm treasury functions, and tax compliance. Mr. Pridgeon was also responsible for the oversight of the firm's management company operational and accounting processes, annual budgeting, and tax planning.

Previously, Mr. Pridgeon served as a Vice President in the Financial Advisory Services group at AlixPartners, a global business advisory firm. While at AlixPartners, he helped companies conduct forensic accounting investigations, assess corporate solvency, and analyze issues related to fraudulent conveyance. He started his career in auditing with public accounting firm Deloitte & Touche.

Mr. Pridgeon is a CPA and holds a BS in Accounting from Michigan State University and an MBA from Indiana University's Kelley School of Business.

While state laws and regulations vary, for additional information regarding the minimum qualifications generally required to achieve and maintain a CPA designation, please refer to the American Institute of Certified Public Accountants (<https://www.aicpa.org/>).

**Item 3 – Disciplinary Information**

There are no disciplinary events material to an investor's evaluation of Mr. Pridgeon.

#### **Item 4 – Other Business Activities**

Mr. Pridgeon engages in no other business activities that provide a substantial amount of income to him or that require a substantial amount of his time.

#### **Item 5 – Additional Compensation**

Mr. Pridgeon does not receive an economic benefit for providing advisory services other than the compensation received by RiverGlade.

#### **Item 6 – Supervision**

For compliance matters, Mr. Pridgeon is supervised by RiverGlade's Managing Partner, Daniel Rosenberg, who may be reached at (312) 940-6700 or [drosenberg@rivergladecapital.com](mailto:drosenberg@rivergladecapital.com). Mr. Pridgeon is subject to the provisions of the Firm's Compliance Manual and Code of Ethics.