

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

**AKKR FUND II MANAGEMENT COMPANY, LP**

**2500 Sand Hill Road  
Suite 300  
Menlo Park, CA 94025  
<http://www.accel-kkr.com>**

**March 29, 2019**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AKKR Fund II Management Company, LP (“AKKR Management II”). If you have any questions about the contents of this Brochure, please contact us at (650) 289-2460. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

This Brochure updates the Form ADV Part 2A filed on March 29, 2018. This annual amendment updates the descriptions of certain of the operations, terms and business practices of AKKR Management II and its affiliates.

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## ADVISORY BUSINESS

Accel-KKR is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with AKKR Management II (collectively, “**AKKR**”). AKKR commenced operations in February 2000.

AKKR Management II, a Delaware limited partnership and a registered investment adviser, provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. AKKR Management II commenced operations in May 2006.

The following general partner entities are affiliated with AKKR Management II (collectively with AKKR Management II, the “**Advisers**”):

- AKKR Fund III Management Company, LP (“**AKKR Management III**”);
- AKKR Fund IV Management Company, LP (“**AKKR Management IV**”);
- AKKR Fund V Management Company, LP (“**AKKR Management V**”);
- AKKR Growth Capital Management Company, LP (“**AKKR GC Management**”);
- AKKR Growth Capital Management Company II, LP (“**AKKR GC Management II**”);
- AKKR Growth Capital Management Company III, LP (“**AKKR GC Management III**”); and
- AKKR Credit Partners Management Company, LP (“**AKKR Credit Management**”).

The Advisers’ clients include the following (collectively the “**Funds**,” and together with any future private investment fund to which AKKR or its affiliates provide investment advisory services, “**Private Investment Funds**”):

### *Private Equity Funds*

- Accel-KKR Company LLC (“**Fund I**”);
- Accel-KKR Capital Partners II, LP (“**Fund II**”);
- Accel-KKR Capital Partners III, LP (“**Fund III**”);
- Accel-KKR Capital Partners IV, LP (“**Fund IV**”);
- Accel-KKR Capital Partners IV Strategic Fund, LP (“**Strategic Fund IV**”);
- Accel-KKR Capital Partners V, LP (“**Fund V**”); and

- Accel-KKR Capital Partners V Strategic Fund, LP (“**Strategic Fund V**”, and together with Fund I, Fund II, Fund III, Fund IV, Strategic Fund IV and Fund V, the “**PE Funds**”).

#### *Growth Capital Funds*

- Accel-KKR Growth Capital Partners, LP (“**GC I**”);
- Accel-KKR Growth Capital Partners II, LP (“**GC II**”);
- Accel-KKR Growth Capital Partners II Strategic Fund, LP (“**GC Strategic II**”);
- Accel-KKR Growth Capital Partners III, LP (“**GC III**,” and together with GC I, GC II and GC Strategic II, the “**Growth Capital Funds**”).

#### *Credit Fund*

- Accel-KKR Credit Partners, LP – Series 1 (“**Credit Fund 1**”);

The Advisers each serve as general partner to the applicable Fund(s) and have the authority to make the investment decisions for the Fund(s) to which they provide advisory services. AKKR Management II also serves as the management company to the Funds pursuant to management agreements. Each Adviser is subject to the Advisers Act pursuant to AKKR Management II’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers, which operate as a single advisory business and are under common control. All advisory employees of AKKR are employed through AKKR Management II.

AKKR GC Management also serves as the general partner to Accel-KKR SCP California Co-Invest, LP, a Delaware limited partnership (“**California Co-Invest**”). California Co-Invest was formed to invest on side-by-side basis with GC I in certain companies that are headquartered in California or otherwise conduct the majority of their operations or businesses in the state of California. The terms applicable to an investment in California Co-Invest are substantially similar to the terms of an investment in GC I and accordingly references herein to the activities and terms of GC I should be read to include the activities and terms of California Co-Invest unless otherwise noted.

The Funds are each private investment funds and, with respect to the PE Funds, generally invest through negotiated transactions in holding companies that in turn own private operating companies, generally referred to herein as “**portfolio companies**.” The Growth Capital Funds were established to make investments in portfolio companies consisting of investments in structured minority preferred equity or subordinated debt with equity enhancements. The Credit Fund was established to generally generate proprietary direct lending to portfolio companies. Investments of the Funds are made predominantly in non-public companies, although investments in certain public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates may serve on such portfolio companies’ boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested. The Advisers’ services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of

investments, monitoring investments and achieving dispositions for such investments, each on a discretionary basis.

The Advisers' advisory services for Private Investment Funds are further described in the applicable private placement memoranda, if available, and Fund Agreements (as defined below) as well as below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." Investors in Private Investment Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment in certain of the Funds due to legal, regulatory or other agreed-upon circumstances, in each case pursuant to the terms of the applicable Fund Agreement. The Private Investment Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms of a Private Investment Fund's Fund Agreement.

As of December 31, 2018, the Advisers managed approximately \$5,199,160,000 in client assets on a discretionary basis. AKKR Management Company, LLC, a Cayman Islands limited liability company, acts as the general partner of AKKR Management II. AKKR Management II is principally owned and operated by Thomas Barnds and Robert Palumbo.

## FEES AND COMPENSATION

In general, the Advisers receive a Management Fee (as defined below) and a carried interest in connection with advisory services. With respect to Fund I, AKKR Management II receives the Management Fee directly while the carried interest is received through passive holding companies affiliated with AKKR Management II. The Advisers or other AKKR entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Funds and a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable Adviser. Investors in the Funds also bear certain fund expenses.

### Management Fee

Each of Fund I and Credit Fund 1 pays the applicable Adviser a management fee (the "**Management Fee**") equal to a specified percentage according to the respective Fund Agreements on a semi-annual or quarterly basis of the gross asset value of the funds, subject to certain adjustments and modifications as described in the management agreements. Each of the other Funds initially pays the applicable Adviser a Management Fee equal to a specified percentage according to the respective Fund Agreements on a semi-annual basis of third-party investor capital commitments ("**Commitments**"). With respect to Fund II, Fund III, Fund IV, Strategic Fund IV, Fund V, Strategic Fund V, Growth Capital Funds, and Credit Fund 1, investors participating in a closing after the initial closing bear the Management Fee from the initial closing plus interest. The Management Fee is generally paid semi-annually, 15 days in arrears and in advance with respect to the remainder of the period. Following the occurrence of certain events as specified in the relevant governing agreement of the applicable Fund (each limited partnership agreement or operating agreement, as applicable, of a Fund, a "**Fund Agreement**"), including the end of the applicable investment period, the Management Fee will be reduced in accordance with the terms of such Fund Agreement. The Management Fee is typically payable until all portfolio investments

and other assets have been distributed, disposed of or liquidated as described in the relevant Fund Agreement. Installments of the Management Fee payable for any period other than a full Management Fee period are adjusted on pro rata basis according to the actual number of days in such period.

The Management Fee will typically be reduced by a specified portion of the relevant Fund's share of certain types of fees received by an Adviser or certain management persons (as defined in the Fund Agreements, "**Management Persons**") from the portfolio companies (such fees, "**Supplemental Fees**"). Such fees may include monitoring, consulting, directors' and financial advisory fees in connection with supervising the business and financial activities of the portfolio companies received by an Adviser or certain Management Persons and certain other professional service fees and break-up fees. With respect to Fund II, Fund III, Fund IV, Strategic Fund IV, Fund V, Strategic Fund V, Growth Capital Funds, and Credit Fund 1, to the extent that such an offset credit would reduce the Management Fee for a given Management Fee period below zero, the credit will be carried forward for future application against payable Management Fees. With respect to Fund I, to the extent that the reductions described above would reduce the Management Fee for a given Management Fee period below zero, such credit will not carry forward for reduction of future Management Fees and such credit will expire. As discussed under the sub-section "Investment and Operating Strategy for the PE Funds," certain fees, expenses and other compensation received by Accel-KKR Consulting Group ("**ACG**") are not counted toward Supplemental Fees.

As permitted under the Fund Agreement for each Fund (other than Fund I), the relevant Adviser may waive or agree to reduce the Management Fee that would otherwise be due to the Adviser. Certain waived or reduced portions of the Management Fee are treated by the Fund Agreements as a deemed capital contribution by the relevant Adviser, which is effectively invested in the relevant Fund on such Adviser's behalf, and operates to reduce the amount of capital the relevant Adviser would otherwise be required to contribute to the applicable Fund. Fund III, Fund IV, Strategic Fund IV, Fund V, Strategic Fund V, and Growth Capital Funds have pre-determined future aggregate reduction amounts. The limited partners of the relevant Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the applicable Adviser in connection with any such waiver or reduction as described above.

### **Carried Interest**

In connection with the Advisers' advisory services to the Funds, each Adviser is entitled to receive a carried interest with respect to the applicable Fund equal to a specified percentage of certain profits in excess of a preferred return, subject to a general partner catch-up, as more fully described in the applicable Fund Agreement. Furthermore, with respect to GC II, GC Strategic II, Fund V, Strategic Fund V, and GC III, additional carried interest may be earned if certain performance thresholds are met. The carried interest distributed to the relevant Adviser is subject to a potential giveback at the end of life of the applicable Fund if such Adviser has received excess cumulative distributions.

## Other Information

Each of the Funds (other than Fund I) may exempt certain investors from payment of all or a portion of Management Fees and/or carried interest, including Accel Partners (“**Accel**”), Kohlberg Kravis Roberts & Co. (“**KKR**”), the Advisers and their respective managing directors, other employees, partners, affiliates, designees and accounts or trusts established for the benefit of such persons or their families. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Private Investment Funds which co-invest with the applicable Fund.

The Funds and other Private Investment Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Fund Agreement, over the term of the applicable Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

Principals or other current or former employees of AKKR may receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Advisers or their affiliates.

In addition to the Management Fee and carried interest payable to the applicable Adviser, each Fund bears certain expenses relating to the Fund's activities, investments and business to the extent not reimbursed by a portfolio company. Such fees and expenses are set forth in the relevant Fund Agreement and may include, without limitation: costs and expenses attributable to sourcing, structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving and disposing of such Fund's investments; legal, research, auditing, travel, consulting, financing, accounting, administration, valuation, appraisal, printing, reporting and custodian fees and expenses; consulting fees paid to ACG or consultants performing investment initiatives; expenses associated with the Fund's financial statements and tax returns; expenses, fees or other liabilities incurred in connection with transactions not consummated; expenses of any advisory board; and other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any). The Advisers, and not the Funds, bear any expenses incurred in connection with maintaining and operating the Advisers' offices (such as compensation of their employees, rent, utilities and general office expenses). Private Investment Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

Expenses attributable to a portfolio company that are incurred in connection with an investment in such portfolio company will be allocated to the Funds, Accel-KKR Members Fund, LLC, and any other co-investment vehicles *pro rata* according to their respective amounts invested in such portfolio company. AKKR may employ a subscription facility maintained by one or more Funds to provide interim financing in connection with the acquisition of a portfolio company by such Funds (including co-investment vehicles) and/or other co-investors. Where appropriate and in AKKR's sole discretion, AKKR is authorized to charge interest on the purchase to the co-investor or co-investment vehicle (or otherwise equitably to adjust the purchase price under certain



conditions), and to seek reimbursement to the relevant Fund for related costs, subject to negotiation with such co-investors. However, to the extent any holding expenses or other related costs, including interest, are not charged to the co-investor, they generally will be borne by the relevant Fund.

Similar expenses incurred relating to investment opportunities not consummated, including broken deal expenses, will be allocated to the Funds and its then-existing co-investment vehicles. Certain co-investors and co-investment vehicles established solely for the purpose of investing in a potential, but unconsummated, investment in a portfolio company will not share in expenses related to the unconsummated transaction and the Funds will bear such expenses. Notwithstanding the foregoing, the Advisers may allocate expenses related to unconsummated investment opportunities in a different manner if the Advisers determines, in good faith, that another allocation method would be more fair or equitable under the circumstances.

ACG may also provide services to portfolio companies and any fees, expenses and other compensation received by ACG or its personnel for the services it provides to portfolio companies is borne by the relevant portfolio companies and their owners, including the relevant Fund(s), rather than the relevant Adviser(s) and will not offset the Management Fee payable by any Private Investment Fund. Additionally, Fund V, Strategic Fund V, and GC III may also compensate ACG for services provided by ACG or any member thereof. An Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between the Private Investment Funds, on the one hand, and an Adviser and/or its affiliates on the other hand.

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

As described under “Fees and Compensation,” the Advisers may receive a carried interest allocation on certain profits in the Funds. The Advisers may also advise certain private investment vehicles formed to allow certain investors to invest in certain portfolio investments made by the Funds. These private investment vehicles include Accel-KKR Members Fund, LLC, Tribes Co-Invest, LLP, AKKR-MVSC Member, LLC, SciQuest Co-Invest, LLP, Accel-KKR Special Opportunities Co-Invest KE-QP, LLC and AKKR-Endeavor Member Holdings, LP. The Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons. Such co-investment opportunities are also provided to selected AKKR employees and individuals with whom AKKR maintains a strategic relationship, including individuals affiliated with Accel or KKR. These individuals are allowed to co-invest on a deal-by-deal basis. The Advisers are generally not obligated to make co-investment opportunities available to any particular investors or limited partners, subject to certain exceptions. Such private investment vehicles might not charge a Management Fee and might not be subject to carried interest at the discretion of the Advisers. This practice could present a conflict of interest because the Advisers may have an incentive to favor investment vehicles for which they receive a performance-based fee over vehicles that do not charge such fees. With the exception of AKKR-MVSC Member, LLC, these aforementioned private investment vehicles are not charged Management Fees and are not subject to carried interest. AKKR’s general policy is to allocate investment opportunities to the Funds first and then

permit co-investment vehicles to participate in a particular investment opportunity if there is excess capacity in such investment or for other strategic reasons. In addition, co-investment vehicles generally make investments in parallel with the applicable Fund on substantially the same terms and conditions.

## **TYPES OF CLIENTS**

The Advisers provide investment advice to Private Investment Funds, including the Funds. Private Investment Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families or service providers retained by the Advisers.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

Each Fund generally has a minimum investment of \$5 million for third-party investors, which may be waived by the applicable Adviser. Interests in the Funds are generally offered and sold to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act.

Certain affiliates of AKKR and other third party investors may be permitted to co-invest directly in a particular portfolio company or in a holdings company which holds the equity in the portfolio company directly. The Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as may be more fully described in the applicable Fund’s Fund Agreement. The Advisers are not obligated to make co-investment opportunities available to any particular investor.

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

### **General**

AKKR is a private investment firm focused on investments in mid-market software and technology enabled services companies believed to benefit from AKKR’s investment professionals’ expertise and experience. The Advisers’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for investments. Investments

are generally made in non-public companies although investments in public companies are permitted.

The Advisers' investment strategy for the PE Funds focuses on the acquisition of controlling interests in lower middle market technology companies with revenues generally greater than \$15 million and enterprise values generally in excess of \$50 million. The Advisers seek to invest in companies that generally possess many or all of the following characteristics: (i) a product or service that has a high return on investment and/or is highly important for customers; (ii) a stable, high visibility revenue model (*e.g.*, maintenance fees, subscription fees, transaction fees, and multi-year contracts); (iii) strong operating and cash flow margins that can result in high operating leverage; (iv) a capital efficient business model that can deliver above average returns on invested capital; and (v) vertical market domain expertise that can drive business value for customers and potentially create a sustainable competitive advantage.

The Advisers' investment strategy for the Growth Capital Funds is to fund a diversified portfolio consisting principally of senior preferred equity, subordinated debt and other investments in lower middle market software and technology-enabled services companies with revenues generally greater than \$10 million. The investments of the Growth Capital Funds will typically be structured as minority senior preferred equity or subordinated debt with potential equity enhancements. The Advisers will generally seek to provide investors in the Growth Capital Funds with equity upside, while seeking to limit principal risk through structural downside protection. In seeking such opportunities, the Advisers will generally focus on growth financings, acquisition financings, management buyouts and recapitalizations. The Advisers generally seek to invest the Growth Capital Funds in companies that possess many or all of the following characteristics: (i) a product or service that is mission critical for customers; (ii) a stable, high visibility revenue model (*e.g.*, maintenance fees, subscription fees, transaction fees and multi-year contracts); (iii) predictable operating and cash flow margins; (iv) capital efficiency that can deliver above-average returns on invested capital; and (v) vertical market domain expertise.

The Advisers' investment strategy for the Credit Fund is to both lend directly to lower middle market and middle market technology software and technology-enabled services businesses and to make secondary purchases of software technology senior loans well known to the Advisers. On the direct lending side, the Credit Fund will seek to provide credit to software businesses generally with annual revenues between \$10 million and \$150 million. Secondary credit opportunities are expected to be in larger technology software companies with annual revenues between \$100 million and \$2 billion. Capital will be deployed through a combination of direct lending investments and secondary purchases of first and second lien debt averaging between \$5 million and \$20 million, although the Credit Fund may consider smaller or larger investments as appropriate and may consider different structures and investments. The Advisers generally seek to invest in companies that generally possess many or all of the characteristics similar to the PE Funds and Growth Capital Funds.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Funds. More detailed descriptions of the Funds' investment strategies and methods of analysis are included in the applicable private placement memorandum, if available, and Fund Agreement for each Fund. There can be no assurance that

the Advisers will achieve the investment objectives of the Funds, and a loss of investment may be possible.

### **Investment and Operating Strategy for the PE Funds**

*Deal Origination and Due Diligence.* The Advisers' origination strategy includes leveraging a network of technology industry executives, bankers, brokers and other service providers, as well as an outbound calling effort focused on founder and family-owned businesses with little or no institutional backing. The Advisers' due diligence is meant to provide a framework for assessing business models, markets and management teams in an effort to identify businesses and assets that are well-positioned for long-term value accretion.

*Development of Portfolio Companies.* Post investment, the Advisers employ a disciplined, long-term approach to value creation. The Advisers aim to create value at the portfolio company by engaging in certain of the following activities: (i) developing core competitive advantages by prudently investing in growth; (ii) implementing financial controls and key operating performance metrics; (iii) formalizing an operating plan and a long-term strategic road map for organic growth and inorganic growth; (iv) providing management with a disciplined approach to capital allocation decisions as it relates to acquisitions, organic growth initiatives, investment in innovation and sales and marketing strategies; (v) leveraging AKKR's corporate resources and business networks in the development of customer and partner relationships; and (vi) building the management team and board of directors as needed.

ACG was formed in July 2013 with the intention of further augmenting AKKR's value creation capabilities available to the Funds' portfolio companies. ACG provides a range of consulting services to certain Fund portfolio companies that request these services, including assistance on strategic and tactical initiatives such as organizational design, strategy development, executive coaching, talent assessment, recruiting, strategic acquisitions, and implementation of specific processes and procedures in a range of functional areas (*i.e.*, finance, sales, marketing, professional services, product development, etc.), as well as serving in an interim management capacity. A portfolio company can request these services from ACG, in exchange for certain fees and expenses. Fund V, Strategic Fund V, and GC III may also compensate ACG for services provided by ACG or any member thereof.

*Value Realization.* The Advisers generally seek to build long-term sustainable businesses that are leaders in their respective markets so that each company will be well-positioned to achieve an attractive exit at the appropriate time. The Advisers believe that their technology and service focus and experience provide a clearer understanding of potential exit opportunities and affords the firm the opportunity to engage in ongoing dialogue with the universe of natural buyers.

### **Investment and Operating Strategy for the Growth Capital Funds**

*Deal Origination and Due Diligence.* The Advisers' origination strategy includes leveraging a network of technology industry executives, bankers, brokers and other service providers, as well as an outbound calling effort focused on founder and family owned businesses with little or no institutional backing. The Advisers due diligence is meant to provide a framework

for assessing business models, markets and management teams in an effort to identify businesses and assets that are well-positioned for long-term value accretion.

*Post-Investment Involvement.* Active involvement with portfolio companies is an important component in protecting and enhancing the value of the Growth Capital Funds' structured investments. The Advisers believe that their domain expertise allows them to provide valuable strategic and financial advice to portfolio companies. The Growth Capital Funds expect to provide input on the following where applicable: (i) advising on financial structures and capital allocation decisions; (ii) advising on asset divestitures; (iii) arranging and/or providing follow-on financing; (iv) facilitating customer and / or supplier introductions; (v) positioning for, and advising on, exit opportunities; and (vi) recruiting additional management where appropriate and building boards of directors where needed.

*Value Realization.* The Advisers generally seek to build long-term sustainable businesses that are leaders in their respective markets so that each company will be well-positioned to achieve an attractive exit at the appropriate time. The Advisers believe that their technology and service focus and experience provide a clearer understanding of potential exit opportunities and affords the firm the opportunity to engage in ongoing dialogue with the universe of natural buyers.

## **Investment and Operating Strategy for the Credit Fund**

*Deal Origination and Due Diligence.* The Advisers' origination strategy includes leveraging a network of technology industry executives, bankers, brokers and other service providers, as well as an outbound calling effort focused on founder and family owned businesses with little or no institutional backing. The Credit Fund's focus will be to generate proprietary direct lending opportunities in which management is seeking non-dilutive senior capital to help address certain capital needs. The Advisers due diligence is meant to assess business models, markets and management teams in an effort to identify businesses and assets that are well-positioned for stable cash flow generation and sustained credit performance.

*Post-Investment Involvement.* Post investment, the Advisers employ a disciplined approach to monitoring performance through active dialogue and in-person meetings with the management teams that the Credit Fund will transact with. The Advisers plan to actively review monthly, quarterly and annual performance relative to budget and previously agreed to covenant levels. In addition, the firm expects to actively review and engage with portfolio management teams on following year annual budgets and other material events and report to the firm's portfolio management committee on a regular basis and the firms' Investment Committee, should there be requests for additional capital, or material deviations from plan.

*Value Realization.* Consistent with the PE Funds and Growth Capital Funds investment strategies, the Advisers generally seek to target direct lending opportunities in lower middle market and middle market software and technology-enabled services companies in sectors in which vertical market domain expertise is designed to create a sustainable competitive advantage, fragmented competition and healthy end-market growth. These business profiles lend themselves to reliable cash flow performance, ability to maintain covenant compliance, and meet required principal amortization payments. The Advisers anticipate that full loan repayment will be achieved through cash flow generation, refinancing, and potential M&A transactions.

## Risks of Investment

A Fund and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Fund are detailed in the Fund's private placement memorandum, if available. In general, the risks applicable to each Fund and the activities of its related Advisers include, but are not limited to:

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

*Concentration of Investments.* The Fund will participate in a limited number of investments and intends to make most of its investments in companies with a technology focus. As a result, the Fund's investment portfolio could become highly concentrated, and its aggregate return may be affected substantially by the performance of a few holdings.

*Lack of Sufficient Investment Opportunities.* It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, the investors will be required to bear management fees through the Fund during the commitment period based on the aggregate amount of all Commitments to the Fund, and other expenses as set forth in the Fund Agreement.

*Dynamic Investment Strategy.* While the Adviser generally intends to seek attractive returns for the Fund through the investment strategy and methods described herein, the Adviser may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Fund Agreement. The Adviser may pursue investments outside of the sectors in which AKKR has previously made investments.

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

the appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by AKKR or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Fund's investments and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of the Fund, and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Fund Agreement, including the value used to determine the amount of carried interest available to the Adviser with respect to such investment.

*Valuation of Investments.* Generally, the relevant Adviser will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for most of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each Adviser will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant Adviser will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of an Adviser with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

*Non-U.S. Investments.* The Fund may invest in companies that are organized and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due, among other things, to potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates and capital repatriation regulations (as such regulations may be given effect during the term of the Fund) and the application of complex tax rules to cross border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may

not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

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

*Reliance on Portfolio Company Management.* Although the applicable Adviser will monitor the performance of each the Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

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

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company to fund, among other possible needs, internal growth initiatives of a portfolio company, potential add-on acquisitions, or possible equity cures to address balance sheet issues or for other reasons. There is no assurance that the Fund will make add-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for the Fund to increase its participation in a successful investment.



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

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including any Management Fee payable to the Adviser) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. 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 relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at AKKR or one of its service providers holding its financial or investor data, AKKR, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under AKKR's policies.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the

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

*Long-term Investments; Evergreen Investments.* Investment in a Fund require a long-term commitment, with no certainty of return. The Fund's investments are expected to be predominantly illiquid and there can be no assurance that the Fund will be able to generate returns for investors, that the returns will be commensurate with the risks of investing in the type of transactions and issuers described herein or that the Adviser's methodology for evaluating risk-adjusted return profiles for investments will achieve the Fund's objectives. In some cases, the Fund may be legally, contractually or otherwise prohibited from selling certain investments for a period of time or may otherwise be restricted from disposing of them and illiquidity may also result from the absence of an established market for certain investments. The realizable value of a highly illiquid investment at any given time may be less than its intrinsic value. In addition, certain types of investments made by the Fund may require a substantial length of time to liquidate. As a result, the Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices or may otherwise be unable to complete any exit strategy. *Currency Risk.* Certain investments and the income received by the Fund with respect to such investments, may be denominated in various non-U.S. currencies. The books of the Fund, will however, be maintained, and capital contributions to and distributions from the Fund will be made, in U.S. dollars. Fluctuations in currency values may adversely affect the U.S. dollar value of portfolio investments, interest, dividends, gains and losses realized on the sale of investments and the amount of distributions, if any, made by the Fund. In addition, the Fund will incur costs in converting investment proceeds from one currency to another. Where practicable, the Adviser may (but shall not be required to) enter into hedging transactions designed to reduce such currency risks. Furthermore, the portfolio companies in which the Fund invests may be subject to risks relating to changes in currency values, as described above. If a portfolio company suffers adverse consequences as a result of such changes, the Fund may also be adversely affected as a result. In addition, due to developments surrounding the regulation of OTC derivatives, the Fund's ability to hedge currency risk may be limited.

In addition, the following risks are applicable to the investment strategy of the Growth Capital Funds:

*Prepayment of Subordinated Debt Investments.* The stated maturity of traditional subordinated debt investments is generally eight to ten years. However, the Growth Capital Funds expect that borrowers of subordinated debt funds will generally prepay their loans within three to five years. The life of a traditional subordinated debt investment can be substantially shorter, particularly for good credits. Early prepayment, particularly by good credits, reduces the Growth Capital Funds' opportunity to make long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up the Growth Capital Funds' capital in investments which may have a

greater risk of default. Either way, the shortening or lengthening of the holding period may prevent the Growth Capital Funds from realizing its investment objective.

*Non-Controlling Investments.* The Growth Capital Funds anticipate that it will principally hold non-controlling senior preferred equity interests and other debt obligations in portfolio companies and, therefore, will have a limited ability to protect the Growth Capital Funds' position in such portfolio companies. However, the General Partners will seek appropriate creditor and shareholder rights to help protect the Growth Capital Funds' interest.

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

*Tax Law Changes.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Fund or AKKR who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for AKKR and its affiliates to incentivize, attract and retain individuals to perform services for the Funds. This could also create an incentive for the General Partners to cause the Funds to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

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

*Growth Equity Transactions.* The Fund's strategy includes targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with

greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Equitable Subordination.* The Fund may co-invest with another affiliate of the Adviser where one or more private equity or other funds managed by the Adviser or an affiliate has a controlling or other interest in the issuer (the “**Other Funds**”). To the extent the Fund holds securities that are different (or more senior or junior) than those held by the Other Funds, the Adviser may be presented with decisions when the interests of the Fund and the Other Funds are in conflict. It is possible that in a bankruptcy proceeding the Fund’s interest may be subordinated or otherwise adversely affected by virtue of the Other Fund’s involvement and any actions relating to its investment. This equitable subordination risk may also result from the Fund’s investing in debt and equity securities sponsored by affiliates of AKKR.

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

In addition, the following risks are applicable to the investment strategy of the Credit Fund:

*Credit Risks of Investments in Senior Loans.* Debt portfolios are subject to credit risk, which is the likelihood that an issuer will default in the payment of principal and/or interest on an instrument, and interest rate risk, which is the risk associated with market changes in interest rates. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Borrowers may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance and increase credit risk. In addition, subordination or lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment. In addition, borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce debt obligations.

*Non-Payment of Principal and Interest; Adequacy of Collateral.* Debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Credit Fund and a reduction in the value of the loans experiencing non-payment. In addition, in the event of borrower’s bankruptcy, the Credit Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment a portfolio company. Under certain circumstances, collateral securing an investment in a portfolio company may be released without the consent of the Credit Fund. Moreover, the Credit Fund’s security interests

may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the Credit Fund may not have priority over other creditors as anticipated. When making a debt investment, the Credit Fund generally intends to obtain security interests in assets of its portfolio companies, but the protection obtained through such interests may be inadequate to return all capital invested by the Credit Fund, especially in cases in which the loan is primarily based on the portfolio company's cash flow.

*Ratings; Non-Rated Securities.* The Credit Fund may invest in "high-yield" debt, preferred stock, convertible debt or debt securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in non-rated securities, including those rated lower than investment grade and considered to be "junk bonds" or distressed securities. Securities in the lower rating categories and non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. There is no minimum credit standard that is a prerequisite to the Credit Fund's investment in any security, and most debt securities and preferred stock that offer potential for capital appreciation are likely to be non-investment grade.

*Interest Rate Risk.* Credit risk may change over the life of an instrument. Interest rate changes may affect the value of a debt instrument indirectly and directly. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

*Illiquid Investments in Senior Loans.* There is less readily available, reliable information about most senior loans than is the case for many other types of securities or other assets. In addition, there is no minimum rating or other independent evaluation of a borrower or its securities or other assets including loans and similar types of investments limiting the Credit Fund's investments, and the Advisers will rely primarily on its own evaluation of borrower credit quality rather than on any available independent sources. Senior loans generally are not listed on any national securities exchange or automated quotation system and no active trading market exists for many senior loans. As a result, many senior loans are illiquid, meaning that the Credit Fund may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans. The market for illiquid securities is more volatile than the market for liquid securities, and illiquid securities are difficult to value.

## **Conflicts of Interest**

In the ordinary course of AKKR conducting its activities, the interests of a Fund may conflict with the interests of AKKR, one or more other Private Investment Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the investment period of a given Fund, all appropriate investment opportunities will be pursued by the Advisers through such Fund, subject to certain limited exceptions. At any given time, the Advisers will typically manage several other Private Investment Funds in addition to a given Fund, which may include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the

principal focus of such Fund, and may direct certain relevant investment opportunities to those Private Investment Funds and with respect to such investments. The Advisers' principals and investment staff will continue to manage and monitor the investments of such Private Investment Funds until their realization. The portfolio company investments of such other Private Investment Funds may potentially compete with companies invested in by a given Fund. Following the investment period of a given Fund, the Advisers' principals may focus their investment activities on other opportunities and areas unrelated to such Fund's investments while continuing to monitor such Fund's investments with an eye towards increasing value and seeking realization.

From time to time, an Adviser will be presented with investment opportunities that would be suitable not only for a given Fund, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of such Adviser. In determining which investment vehicles should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of AKKR in a portfolio company may also raise the risk of using assets of a client of AKKR to support positions taken by other clients of AKKR. When and to the extent that employees and related persons of AKKR and its affiliates make capital investments in or alongside certain Funds, AKKR and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Private Investment Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Investment opportunities may be appropriate for multiple Private Investment Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of each such investment, particularly where certain Private Investment Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Private Investment Funds that have invested in different securities within the same portfolio company. Because of the different legal rights associated with debt and equity of the same portfolio company, AKKR and its affiliates may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

The Adviser will seek approval from the advisory board of Credit Fund investors (i) with respect to the Credit Fund's investment in the securities of a company in which another Fund already holds a controlling interest, and (ii) with respect to any investment by another Fund in securities of a company in which the Credit Fund holds a controlling interest in any class or tranche of debt thereof. For instance, if another Fund controls a majority stake of a company's equity, the Credit Fund may invest up to 40% of any tranche of debt of such company without the requirement to seek approval from the Credit Fund advisory board.

In certain cases, the Adviser will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Fund Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, the Adviser will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Fund Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

ACG was formed in July 2013 to provide value creation services described above to the Funds' portfolio companies that elect to receive such services. Services are generally provided at the request and discretion of the portfolio companies' management and board. Services can also be provided at the request of Fund V, Strategic Fund V, and GC III. Consulting services provided by ACG and its employees are paid for by the respective portfolio companies, Fund V, Strategic Fund V and GC III that engage ACG for its services. ACG is owned by AKKR employees and intends to be operated on a break-even basis. ACG employees are not managers, partners, members, shareholders, officers or employees of the Advisers, however, certain ACG employees participate in certain economics of the Advisers and are compensated through portfolio company option or warrant grants paid by the respective portfolio company to them or to ACG. Pursuant to the terms of the Fund Agreements, ACG and its employees are not Management Persons and, as applicable, are part of an operations group, such that consulting fees earned by ACG and its employees are not considered Supplemental Fees, and an Adviser's Management Fee is not offset by ACG consulting fees. AKKR seeks to mitigate the potential for any conflicts of interest inherent in its use of ACG by providing ACG services to portfolio at rates below those that AKKR believes would be charged by third-party consultants over time.

As part of its business strategy, AKKR will, at times, maintain ongoing consulting relationships with industry operating executives, including former operating executives previously in senior positions at Fund portfolio companies or other companies. The objective of these ongoing relationships is to receive the benefit of such executives' operating experience. They will generally be compensated as "consultants" under the Fund Agreements. AKKR believes these relationships with executives are beneficial to portfolio companies. These operating executives work closely with AKKR professionals, though operate independently of AKKR.

As a result of the Private Investment Funds' interests in portfolio companies, an Adviser and/or its affiliates typically have the right to appoint portfolio company board members, or to influence such board members' appointment, and to determine or influence a determination of the board members' compensation. From time to time, portfolio company board members may approve compensation and/or other amounts payable to an Adviser and/or its affiliates.

Additionally, a portfolio company, typically will reimburse the Advisers or service providers retained at the Advisers' discretion for expenses (including without limitation travel expenses) incurred by the Advisers or such service providers in connection with its performance of services for such portfolio company. The Advisers determine the amount of these reimbursements for such services in their own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Private Investment Fund, their effect is reflected in each Private Investment Fund's audited financial statements, and any fee paid or expense reimbursed to the Advisers or such service providers generally is subject to: agreements with sellers, buyers and

management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Although uncommon, from time to time the Adviser may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by the Adviser, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. The Adviser intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

AKKR and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in the Funds' portfolio companies or other investment vehicles advised by an Adviser and/or its affiliates. In addition, portfolio companies may from time to time pay certain fees to ACG and/or other third party consultants (including consultants introduced or arranged by an Adviser and/or its affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies, including the operating executives described above), and such fees will not offset the Management Fee as described herein. Any of these situations subjects an Adviser and/or its affiliates to potential conflicts of interest.

The Adviser uses a group-purchasing program in order to reduce operating expenses. Portfolio companies of the Funds may also elect to use the same group-purchasing program. The Adviser does not receive any commission, fees or other source of revenue from the program.

Because the Advisers' carried interest is based on a percentage of net realized profits, it may create an incentive for an Adviser to cause a Private Investment Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Private Investment Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Private Investment Fund, based upon capital invested by such Private Investment Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so. Since the Advisers are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Private Investment Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

Any of these situations subjects the Advisers and/or its affiliates to potential conflicts of interest. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in its Private Investment Funds and the obligations owed by AKKR's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment



opportunities among a Fund, other Private Investment Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the applicable Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, an Adviser consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

AKKR Management II and its Management Persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

AKKR Management II is affiliated with the following AKKR investment advisers:

- AKKR Fund III Management Company, LP (general partner of Fund III);
- AKKR Fund IV Management Company, LP (general partner of Fund IV and Strategic Fund IV);
- AKKR Fund V Management Company, LP (general partner of Fund V and Strategic Fund V);
- AKKR Growth Capital Management Company, LP (general partner of GC I and the California Co-Invest);
- AKKR Growth Capital Management Company II, LP (general partner of GC II and GC Strategic II);
- AKKR Growth Capital Management Company III, LP (general partner of GC III); and
- AKKR Credit Partners Management Company, LP (general partner of Credit Fund 1).

These Advisers are deemed registered with the SEC under the Advisers Act pursuant to AKKR Management II's registration in accordance with SEC guidance. AKKR Management II provides personnel and other services to the Advisers and other AKKR entities. These affiliated investment advisers operate as a single advisory business together with AKKR Management II and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

From time to time, the Advisers may consult with, or seek advice from, personnel of KKR or Accel with respect to certain activities of the Funds and other Private Investment Funds, however neither KKR nor Accel is involved with the management, decision-making or operations of any Private Investment Fund. As investors in some of the Funds, KKR and Accel may be

subject to terms that are more favorable than those applicable to other investors, as described in the applicable Fund Agreement.

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

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

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

A copy of the Code will be provided to any client or prospective client upon request to Patrick Fallon, AKKR’s Chief Compliance Officer, at (650) 289-2460. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client-eligible investments.

The Advisers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of AKKR personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds. The Funds and other Private Investment Funds may invest together with other Private Investment Funds advised by an affiliated adviser of AKKR in the manner set forth in the applicable Fund Agreement. The Advisers will determine allocation of investment opportunities, including allocation to any co-investment vehicles, in a manner that they believe is fair and equitable to their clients consistent with the Advisers’ fiduciary obligations and consistent with the applicable Private Investment Funds’ underlying documents.

From time to time, the Advisers may provide certain investors or other persons the opportunity to participate in co-investment vehicles that may invest in one or more portfolio companies alongside a Fund. For strategic and other reasons, in certain instances, a co-investment

vehicle may purchase a portion of an investment from a Fund. The co-invest buy-down typically occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. The co-investment vehicle is generally not charged interest on its buy-downs.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other accounts or certain Funds or vehicles which may differ from advice given to, or securities recommended or bought for, other Funds or vehicles, even though their investment objectives may be the same or similar.

The Advisers or their affiliates may recommend the purchase or sale of securities for Private Investment Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Private Investment Funds. Certain of these transactions may require the consent of the applicable Private Investment Fund.

### **BROKERAGE PRACTICES**

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

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

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them,

although the Advisers generally do not make use of such services at the current time. To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. If orders are not batched, it may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

In the Advisers' private company securities transactions on behalf of the Private Investment Funds, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Private Investment Fund and/or its portfolio companies. In determining to retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Private Investment Funds may not pay the lowest commission or fee for such services.

## **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private

Investment Funds invest, and the AKKR Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Funds will provide to their investors audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company annually (or more frequently in the Advisers' discretion).

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

The Advisers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Fund's Fund Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases, these fees would be in addition to Management Fees. See "Fees and Compensation."

The Advisers or their affiliates have not currently entered into any solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund, but may enter into such arrangements in the future. Any fees and expenses payable to any such placement agents will be borne by the Advisers indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, may be borne by the relevant Private Investment Funds.

#### **CUSTODY**

The Advisers maintain custody of the Funds' assets with the following qualified custodians:

- Silicon Valley Bank, located in Menlo Park, California;
- First Republic Bank, located in Menlo Park, California;
- Piper Jaffray & Co., located in Minneapolis, Minnesota; and
- Citibank, N.A., located in San Francisco, California.

#### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Fund Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Fund Agreement, however, an Adviser may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax,

regulatory or other similar reasons. The Advisers assume this discretionary authority pursuant to the terms of the Fund Agreements.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted a Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Funds’ portfolio investments. The majority of “proxies” received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds’ investors through the principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee of Fund investors, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by AKKR personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. Current or potential investors that would like a copy of AKKR’s complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, may contact Patrick Fallon, AKKR’s Chief Compliance Officer, at (650) 289-2460, and it will be provided at no charge.

### **FINANCIAL INFORMATION**

Neither AKKR Management II nor any of the other Advisers requires prepayment of management fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure.