



Investment Adviser Brochure

Diamond Castle Holdings, LLC

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This Brochure provides information about the qualifications and business practices of Diamond Castle Holdings, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 300-1900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Diamond Castle Holdings, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2 – Material Changes:

This Brochure contains no material changes to the Form ADV Part 2 filed by Diamond Castle Holdings, LLC on September 4, 2018.

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Item 4 – Advisory Business:

Background

Diamond Castle Holdings, LLC, a Delaware limited liability company, was established in 2004 as a private investment management firm, including a registered investment advisory entity and other affiliated organizations affiliated with Diamond Castle Holdings, LLC, (together with such affiliated organizations, collectively, the “Adviser”). The Adviser is controlled by its Managing Members, Ari Benacerraf, Michael Ranger, and Andrew Rush.

The Adviser, an investment firm headquartered in New York, provides portfolio management and administrative services to private equity funds (see Fund Structure, below).

Advisory Services

The Adviser provides investment advisory services to private equity funds (the “Funds”) with respect to their investments by investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of portfolio companies and advising the Funds as to disposition opportunities. The Adviser’s investment strategy is described in Item 8 below and set forth more fully in the private placement memorandum (as supplemented or amended, the “Private Placement Memorandum”) of the applicable fund. The Adviser provides services to each Fund in accordance with the limited partnership agreement of such Fund (the “Partnership Agreement”) and, where applicable, the management agreement between the Adviser, the Fund and the general partner of such Fund (each, a “Management Agreement”). The Adviser’s sole clients are the Funds. The Adviser’s investment advice to the Funds is limited to the type of advice described in this Brochure, as supplemented by the Private Placement Memorandum, Partnership Agreement and/or Management Agreement of the applicable Fund.

Fund Structure

The Funds are generally organized as Delaware limited partnerships. Each Fund is controlled by a general partner that is an affiliate of the Adviser, and such general partner is ultimately responsible for the management and conduct of the activities of such Fund.

The general partners of certain Funds may establish feeder partnerships, alternative investment vehicles, parallel funds or other investment vehicles to address tax, regulatory or other concerns of certain existing or prospective limited partners. In addition, if the general partner of a Fund elects to make co-investment opportunities available to limited partners, the general partner may establish a co-investment fund to facilitate such co-investments, the terms of which may differ from the terms of the applicable Fund.

The Funds generally pursue three types of equity investments: leveraged buyouts, growth capital and structured financings. However, a Fund may vary such focus and strategy to take advantage of changing economic and financial market conditions and attractive opportunities that may arise.

DCP 2014 GP, L.P., a Delaware partnership, is the general partner of the private funds listed below (together with any alternative investment vehicles and other related entities, “DCP 2014”).

- Diamond Castle Partners 2014, L.P.
- DCP 2014 Deal Leaders Fund, L.P.

DCP 2014 was formed in 2014 for the main purpose of acquiring the majority of the portfolio companies then held by Diamond Castle Partners IV, L.P. (together with its related entities), with the intent of holding such investments until realization.

DCP Vista Co-Investment GP, L.P., a Delaware partnership, is the general partner of the following co-investment fund, which was formed for the purpose of investing side-by-side with DCP 2014 in a certain portfolio company investment of DCP 2014.

- DCP Vista Co-Investment Partners, L.P. (“DCP Vista”)

DCP 2014 GP, L.P., and DCP Vista Co-Investment GP, L.P. are controlled by the managing members of the Adviser.

DCHP Healthmap Partners, GP, L.P., a Delaware partnership, is the general partner of the following co-investment fund, which was formed for the purpose of investing in the portfolio company, Healthmap Solutions, Inc.

- DCHP Healthmap Partners, L.P. (“Healthmap”)

DCHP Healthmap Partners, GP, L.P. is controlled by the managing members of DCHP Management, L.P. and the managing members of the Adviser.

Investment Restrictions

Each Partnership Agreement contains or incorporates by reference restrictions on investing in certain securities or types of securities. Such restrictions may be waived in certain cases with the consent of a Fund’s limited partner advisory committee in accordance with such Fund’s Partnership Agreement. The limited partner advisory committee consists of representatives of limited partners of such Fund who are not affiliated with the Adviser.

Management of Client Assets

As of December 31, 2018, the Adviser managed approximately \$733 million of client assets, based on total assets under management of the Funds, including uncalled capital commitments, on a discretionary basis. The Adviser does not manage any client assets on a nondiscretionary basis.

Item 5 – Fees and Compensation:

Management Fees

Generally, the Funds pay the Adviser an annual management fee (the “Management Fee”) in accordance with each such Fund’s Partnership Agreement and Management Agreement, as negotiated collectively with the investors of each such Fund. The Management Fee is payable to the Adviser in semi-annual installments in advance, and will be calculated with respect to (and may be drawn down from) each limited partner in accordance with the respective Fund’s Partnership Agreement. The Adviser also receives compensation from certain portfolio companies in the form of directors’ fees, transaction, monitoring, or breakup fees and other similar advisory fees (collectively, “Fee Income”). Such Fee Income serves to reduce Management Fees paid by the Funds as noted in the Management Fee calculation below. However, Management Fees are subject to modification, waiver or reduction in certain limited circumstances.

Since the Management Fee cannot be reduced below zero, each Fund’s Partnership Agreement provides for the creation of a carryforward credit, which offsets future Management Fee payments. The aggregate credit carried forward for such fee income may exceed the amount of the Management Fee available to be reduced.

The Adviser generally receives ongoing monitoring fees from portfolio companies quarterly in advance. If a portfolio company investment is realized during a period, the Adviser is not obligated to refund the portfolio company for the period of time for which it will not provide services.

DCP 2014

Through November 18, 2017, the Adviser was entitled to receive annual Management Fees equal to 1.25% of the Capital Commitments of the limited partners and thereafter, until November 17, 2019, Management Fees equal to 1.25% of the capital contributions to the Funds which remain invested in portfolio investments, *provided* that if the Adviser reasonably and in good faith determines that the amount that would otherwise be calculated is insufficient to pay the operating expenses of the Adviser, the Adviser may propose an annual operating budget and an increase in the Management Fee paid by each limited partner in the aggregate amount set forth in such budget, which increase would require the approval of certain significant investors in DCP 2014.

Each semi-annual installment of the Management Fee is calculated with respect to each limited partner and is generally reduced by an amount equal to such limited partner’s *pro rata* share of 100% of Fee Income received from portfolio investment companies by the Adviser, its employees, or affiliates. All Management Fees mentioned above are billed by DCP 2014 and paid to the Adviser. All Fee Income offsets to the Management Fee will be allocated between DCP 2014 and any related co-investing entities on the basis of capital committed by each Fund to the relevant investment.

The Management Agreement of DCP 2014 generally provides that upon termination of the Management Agreement, the Adviser shall repay to the Fund or to a replacement manager, as

directed by the Fund's general partner, the unearned portion (computed on the basis of the number of days elapsed), if any, of any Management Fees previously paid to the Adviser.

DCP Vista

Through the term of DCP Vista, the Adviser receives annual Management Fees equal to 1.0% of the Capital Contributions of the limited partners made by limited partners that were used to fund the cost of, and remain invested in, portfolio investments as of the payment date.

Each semi-annual installment of the Management Fee is calculated with respect to each limited partner and is generally reduced by an amount equal to such such limited partner's *pro rata* share of 100% of Fee Income received from portfolio investment companies by the Adviser, its employees, or affiliates. All Management Fees mentioned above are billed by DCP Vista and paid to the Adviser. All Fee Income offsets to the Management Fee will be allocated between DCP Vista and any related co-investing entities on the basis of capital committed by each Fund to the relevant investment.

The Management Agreement of the DCP Vista provides that upon termination of the Management Agreement, the Adviser shall repay to the Fund or to a replacement manager, as directed by the Fund's general partner, the unearned portion (computed on the basis of the number of days elapsed), if any, of any Management Fees previously paid to the Adviser.

Item 6 below discusses the distribution of carried interest, an additional performance-based compensation paid to certain related persons of the Adviser.

Healthmap

Through the Term of Healthmap, the adviser will not receive annual Management fees from limited partners. However, should the Adviser receive Fee Income, it will retain such income to the extent that it does not exceed 1% of the Capital Contributions of the limited partners that were used to fund the cost of, and remain invested in assets of the underlying Fund.

Allocation of Fees and Expenses

The Adviser pays all normal operating expenses incidental to the provision of day-to-day administrative services to the Funds, including its own overhead. The Funds pay all costs, expenses and liabilities in connection with their respective operations, including (i) the Management Fee, (ii) costs and expenses relating to the purchase, holding and sale of portfolio investments (to the extent such expenses are not reimbursed) which may include the costs of engaging consultants on behalf of portfolio investments as well as out-of-pocket costs incurred in pursuing and managing portfolio investments, such as travel, (iii) expenses incurred in connection with transactions not consummated, (iv) premiums for insurance covering potential liabilities of the Funds, (v) taxes, (vi) fees and expense of accountants, counsel and consultants, fees, costs and expenses of the advisory committee and the executive board, (vii) costs and expenses of reporting to partners and of the annual meetings, (viii) a proportionate share of the expenses incurred by the Adviser in connection with employment of an accounting staff (compensation and overhead), based on the time that such staff devotes to Fund matters and not

to the accounting needs of the Adviser or to compliance matters of the Adviser (it being understood that such staff also generally provides compliance services to the Adviser) (ix) extraordinary expenses, including litigation expenses and (x) costs of winding up and liquidating the respective Funds. Any Fund expenses advanced by the Adviser or its affiliates are reimbursed by the respective Fund.

Advisors

In addition to the full-time investment professionals of the firm, the Funds engage the services of certain operating, executive or senior advisors to work actively with the firm on sourcing and evaluating new transactions, as well as providing strategic insights related to portfolio company matters. These advisors are not partners or employees of the Adviser or any of its affiliates, but rather consultants engaged by or on behalf of certain Funds. The compensation of such individuals is generally borne by the relevant Fund or portfolio company with respect to which such consultant provides services, and such compensation may include a portion of the profits generated by the sale of any such portfolio company.

Item 6 – Performance-Based Fees and Side-by-Side Management:

Pursuant to the Partnership Agreements of the Funds, the general partners of such Funds, each a related person of the Adviser, are entitled to receive “carried interest” with respect to each limited partner, applicable to such partner’s net investment profits. The rates of such carried interest, by fund, is shown below. Certain of the Funds, however, do not provide for any carried interest distributions to the Adviser’s related persons.

- DCP 2014 – a) 10% of net investment profits subject to limited partners receiving a preferred return of 10%; b) 15% of net investment profits subject to limited partners receiving a preferred return of 15% and distributions in excess of 1.6x capital contributed; and c) 20% of net investment profits subject to limited partners receiving a preferred return of 20% and distributions in excess of 2.0x capital contributed.
- DCP Vista – 10% of net investment profits, subject to limited partners receiving a preferred return of 8% on all capital contributed.
- Healthmap- a) 10% of net investment profits, subject to limited partners receiving a preferred return of 8%; b) 20% of net investment profits subject to limited partners receiving a preferred return of 8% and distributions in excess of 1.6x capital contributed.

If any general partner receives carried interest distributions in excess of the applicable carried interest percentage of such Fund’s cumulative net profits, then such excess carried interest distributions will be subject to repayment by such general partner.

The existence of the general partner’s carried interest may create an incentive for the general partner and the Adviser to make more speculative investments on behalf of the Funds than they would otherwise make in the absence of such carried interest. To help align the

interests of the general partner and the Adviser with those of the limited partners, the general partner invests, either in or alongside the Funds, a certain percentage of the total capital commitments of the limited partners.

Item 7 – Types of Clients:

As described in Item 4 above, the Adviser’s sole clients are the Funds. Limited partners in certain of the Funds are generally required to make a minimum commitment of \$10,000,000, but the applicable general partner has the discretion to, and has at times, waived this minimum commitment in certain circumstances. Limited partner interests in the Funds may be purchased only by investors that are (i) “accredited investors” as defined in Regulation D of the U.S. Securities Act of 1933, as amended, and (ii) (x) “qualified purchasers” for purposes of section 3(c)(7) of the Investment Company Act of 1940, as amended or (y) investing in a Fund with less than 100 beneficial owners for purposes of section 3(c)(1) of the Investment Company Act of 1940, as amended.

DCP 2014, DCP Vista and Healthmap are closed to new investors.

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

Methods of Analysis and Investment Strategies

The investment strategy of the Funds is to realize significant long-term capital gains by making three main types of equity investments: leveraged buyouts, growth capital and structured financings. Leveraged buyouts are acquisitions of mature businesses, where significant returns may be achieved through the growth of the business, the growth of profitability and the prudent use of leverage. Growth capital investments are investments in which proceeds are used for the expansion of a proven business model, where value is generally built through very rapid growth. Structured equity investments are investments in mature businesses that are structured with debt-like features that provide downside protection, while preserving significant equity upside. Structured equity investments are often made to address special situations or particular capital needs of a company. However, a Fund may vary such focus and strategy to take advantage of changing economic and financial market conditions and attractive opportunities.

The Adviser typically obtains information with respect to potential portfolio companies from management and other representatives of such companies. The Adviser relies on its deep knowledge of the industry sectors it focuses on to locate attractive investment opportunities for the Funds. The Adviser follows due diligence procedures designed to identify and quantify opportunities for revenue growth, increased efficiency and, ultimately, an increase in value in respect of potential investment opportunities. When evaluating the individual merits of each potential investment, the Adviser focuses on the level of risk inherent in each industry sector and generally will not seek investments for the Funds in businesses with excessively high regulatory, reimbursement or commodity risks.

Certain Risks Relating to the Investment Strategies of the Funds

Investing in securities involves a risk of loss that clients should be prepared to bear, including the risks discussed below. These risks are generally applicable to the investment strategy of each Fund. The risks summarized below are described in greater detail in the Private Placement Memorandum provided to the limited partners of the Funds. The risks include those related to:

- changes in general economic conditions;
- lack of diversification;
- illiquidity of investments;
- investments in portfolio companies with high levels of debt;
- reliance on the expertise of investment professionals of the Adviser and its affiliates;
- potential conflicts of interest among the Funds or between the Funds on the one hand and the Adviser, and its affiliates and investment professionals, on the other hand;
- difficulty of locating sufficient suitable investment opportunities;
- highly competitive market for investments;
- failure or inability of a Fund to make a follow-on investment in a portfolio company;
- exposure to portfolio company and third-party claims;
- potential liabilities relating to portfolio company bankruptcies or restructurings;
- potential liabilities in connection with the disposition of investments;
- limited ability to exercise management control of portfolio company operations;
- certain additional economic, political, regulatory and other risks, including the volatility of the equity markets and securities markets generally; and
- certain additional taxations in foreign jurisdictions due to changes in taxation treaties.

There are certain risks (in addition to risks related to our investment strategy) associated with investing in the Funds, which are also described in the Private Placement Memorandum.

Item 9 – Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information to disclose that is applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations:

General

The general partners of the Funds are affiliated with the Adviser by common ownership. Should conflicts of interest arise in the context of these common ownership relationships, they will be addressed in accordance with the Code of Ethics (described in further detail in Item 11 below), and in the Partnership Agreements of the Funds, as applicable.

The Adviser, its affiliates, and its personnel serve as investment advisers and investment managers to the Funds and may serve as investment advisers or manager of other funds or accounts. The Adviser, its affiliates and its personnel may take action or give advice with respect to certain clients that differs from the advice given to other clients. The Adviser, its affiliates and its personnel will devote as much time to the activities of each client as they deem necessary and appropriate.

Employees of the Adviser may serve as directors and officers of certain portfolio companies and other companies, in that capacity, will be required to make decisions that consider the best interests of such Companies and their respective shareholders.

Material Relationship or Arrangements

In April, 2017 the Adviser entered into several agreements with Five Arrows Managers (USA), LLC (“Five Arrows”). Five Arrows is an Exempt Reporting Adviser (SEC# 801-107949) and a subsidiary of Rothschild & Co. (Euronext: ROTH), a global financial advisory firm. Five Arrows is an adviser to private funds in the United States, continuing Rothschild’s heritage of advising private equity funds in Europe. As part of the arrangement, Five Arrows and Diamond Castle will share services such as office space while Diamond Castle continues to provide advisory services to its clients. Each adviser will maintain its own information systems, compliance committee, books and records, and client information. Certain investment and support personnel are employees of both Diamond Castle and Five Arrows and, as such, are required to devote such time as is reasonably required to conduct the investment and other activities of each adviser.

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

Code of Ethics

The Adviser has adopted a Compliance Manual and a Code of Ethics pursuant to SEC Rule 204A-1 under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”) for all Supervised Persons of the Adviser. The Code of Ethics describes the Adviser’s high standard of business conduct and its fiduciary duty to the Funds under the Advisers Act. “Supervised Persons” include (i) any officer, director (or other person occupying a similar status or performing similar functions) or employee of the Adviser and (ii) any other person who provides investment advice on behalf of the Adviser and is subject to the Adviser’s supervision and control.

The Code of Ethics was adopted in order to establish the standard of conduct expected of the Adviser's Supervised Persons and to ensure that the Adviser's duties to the Funds under the Advisers Act are met. Supervised Persons must, at all times, act in accordance with the Adviser's fiduciary duty to the Funds. Each Supervised Person should (i) at all times place the interests of the Funds before his or her own interests, (ii) act with honesty and integrity with respect to the Funds and the Funds' investors, (iii) never take inappropriate advantage of his or her position for his or her personal benefit, (iv) make full and fair disclosure of all material facts, particularly where the Adviser's or Supervised Person's interests may conflict with the Funds and (v) have a reasonable, independent basis for his or her investment advice.

The Compliance Manual includes provisions relating to the confidentiality of information relating to limited partners, a prohibition on insider trading, a prohibition on disseminating rumors, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, restrictions and reporting obligations relating to making political contributions and anti-money laundering and sanctions policies, among other matters. All employees of the Adviser must submit an annual certificate of compliance for the Compliance Manual and the Code of Ethics to the Chief Compliance Officer.

In addition, the Adviser has adopted a strict personal securities transactions policy under its Code of Ethics which forbids any Supervised Person from engaging in any insider trading and from disclosing or using material non-public information in violation of applicable law. "Access Person" includes all directors, officers and partners of the Adviser and any other employee that the Chief Compliance Officer Designates as such. The Code of Ethics also requires pre-clearance of many transactions, and restricts trading in close proximity to a Fund's investment activity. Certain classes of securities have been designated as exempt from certain trading restrictions under the Code of Ethics, based upon a determination that exempting such securities would not materially interfere with the best interests of the Funds. Subject to certain limited exceptions, Access Persons are also required by the Code of Ethics policy to:

- report personal investment transactions to the Chief Compliance Officer on a quarterly basis;
- pre-clear certain personal securities transactions; and
- report securities holdings to the Chief Compliance Officer on a quarterly basis.

Employee trading is continually monitored by the Chief Compliance Officer under the Code of Ethics in order to reasonably prevent and, if necessary, address conflicts of interest between the Adviser, Supervised Persons and the Funds.

The Funds, limited partners and prospective investors in the Funds may request a copy of the Code of Ethics, free of charge, by contacting the Adviser's Chief Compliance Officer.

Participation or Interest in Client Transactions

The Adviser investigates and structures potential investments of the Funds, as described in Item 16 below. The managing members of the Adviser will typically have a material financial

interest in these investments through their commitment to the applicable general partner, as described in Item 6 above. The Adviser has adopted written policies to ensure compliance with the provisions of each Partnership Agreement and a Code of Ethics that addresses potential conflicts of interest involving the Adviser and its related persons.

Allocation of Investment and Sale Opportunities Policy

Investment opportunities are allocated based upon the provisions of the applicable Partnership Agreement. If the relevant Partnership Agreement does not address the manner in which an investment opportunity should be allocated, the Adviser will allocate the opportunity between or among the Funds in good faith, in accordance with the allocation policies and procedures set forth in its Compliance Manual (the “Investment Allocation Considerations”). This policy governs the appropriate allocation of opportunities with respect to co-investments, follow-on investments and sale opportunities, and provides that when determining these allocations the Adviser will consider the following factors: (i) the size, nature, risk profile and type of investment or sale opportunity; (ii) principles of diversification of assets, including, without limitation, in respect of geography, investment size and sector; (iii) the investment guidelines and limitations of the Funds; (iv) cash availability, including cash that becomes available through leverage; (v) the magnitude of the investment; (vi) a determination by the Adviser that the investment or sale opportunity is inappropriate, in whole or in part, for one or more of the Funds; (vii) applicable transfer or assignment provisions; (viii) proximity of a Fund to the end of its specified term, if any; (ix) applicable law; or (x) such other factors as the Adviser may reasonably deem relevant.

The Adviser will review all allocations between or among different Funds to ensure that such allocations are made on a fair and equitable basis in accordance with the Adviser's investment allocation policies and Private Placement Memorandum, and applicable regulatory restrictions.

Personal Financial Interests

The Adviser has adopted a conflicts of interest policy in order to address the conflicts of interest that could arise if the Adviser were to recommend that a Fund invest in the same securities or related securities in which the Adviser or a related person currently holds an investment. Under such policy, no Supervised Person may recommend to the Adviser that a Fund make a particular investment without first disclosing his or her interest in the potential transaction (if such an interest represents a conflict of interest) to certain designated parties. In some instances, the Supervised Person must seek prior authorization from the Chief Compliance Officer to conduct a transaction with such designated person, if such an interest exists and represents a conflict of interest.

An Access Person may under certain circumstances invest in securities of a portfolio company of the fund, subject to review by the Chief Compliance Officer for potential conflicts of interest.

Item 12 – Brokerage Practices:

The Adviser focuses on making investments in private securities, thus it does not generally deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments, for client transactions. To the extent that the Adviser transacts in publicly-traded securities, the Adviser selects brokers and counterparties based upon the broker or counterparty's ability to provide best execution for the Funds as described in the Adviser's Compliance Manual. In general, this means obtaining the best net results so that the Funds' costs or the amounts received by the Funds are most favorable under all of the circumstances.

The factors in determining best execution include, but are not limited to, (i) the Adviser's knowledge of negotiated commission rates and spreads currently available; (ii) the nature of the security or instrument being traded; (iii) the size and type of the transaction; (iv) the nature and character of the markets for the security or instrument to be purchased or sold; (v) the desired timing of the trade; (vi) the activity existing and expected in the market for the particular security or instrument; (vii) the confidentiality of the transaction; (viii) the execution, clearance, and settlement capabilities, as well as the reputation and perceived soundness of the broker selected and other brokers considered; (ix) the Adviser's knowledge of actual or apparent operational problems of any broker; (x) the broker's or dealer's execution services rendered on a continuing basis and in other transactions and (xi) the reasonableness of spreads or commissions.

Although the Adviser generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved that would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. When executing a transaction in any investment with or for a Fund, the Adviser intends to take all reasonable steps to ensure that the counterparty is reliable and that the terms and circumstances of the transaction are the best available on the relevant market at the time of execution for transactions of the same size and nature.

Research and Other Soft Dollar Benefits

The Adviser, as a matter of policy, does not effect soft dollar transactions and does not enter into soft dollar arrangements in respect of transactions for any Funds. If the Adviser determines to do so, it will endeavor to do so within the "safe harbor" provided by Section 28(e) of the Exchange Act. While the Adviser receives proprietary research from certain brokerage firms, it does not take the value of such research into account in selecting brokers. In addition, the Adviser maintains a gift policy which requires the reporting and/or pre-approval of certain gifts, travel and entertainment received by Supervised Persons in order for such gifts, travel and entertainment to be reviewed by compliance personnel for any appearance of, or actual, conflicts of interest.

Aggregation of Client Accounts

The purchase or sale of securities may be aggregated for various Funds to the extent that more than one Fund is acquiring or selling securities in the same portfolio company. Where a sale opportunity is identified for an investment held by two or more Funds, the opportunity will be allocated in accordance with the applicable Partnership Agreements and the Allocation

Policies described in Item 11 above. The Adviser will generally aggregate the securities that are to be disposed of, if that is the most efficient means to dispose of the securities.

Item 13 – Review of Accounts:

The investments made by the Funds are generally private, illiquid and long-term in nature. Investments are monitored by the Adviser on a regular basis. Due to the nature of the Funds' investments, the Adviser's review process for each Fund is not directed toward a short-term decision to dispose of investments. However, the Adviser's investment professionals closely monitor each Fund's investments by meeting to review the current portfolio, follow-on opportunities or realizations within the portfolio and discuss any potential opportunities available to the Funds. In addition, the valuation committee, which includes the investment committee and the Chief Financial Officer, meets quarterly to value the current portfolio.

Investors in certain Funds receive annual audited financial statements. All investors in the Funds receive a quarterly written report that provides an update on the respective Fund's activity and any changes to valuations. All investors receive capital statements and financials on a quarterly basis or a yearly basis, depending upon the Fund they are invested in.

Item 14 – Client Referrals and Other Compensation:

While not a client solicitation arrangement, the Adviser may, from time to time, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain prospective investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests in the applicable Fund that are accepted by the applicable Fund's general partner with respect to such prospective investors. Such fees will be negotiated individually between the Adviser and such person.

Item 15 – Custody:

The Adviser is deemed to have custody for purposes of the Advisers Act of each Fund's cash and securities by virtue of its relationship with such Fund's general partner. Except as permitted by the Advisers Act, such cash and securities are maintained in accounts established with qualified custodians, as defined in Rule 206(4)-2 of the Advisers Act (each, a "Qualified Custodian"). Such accounts are in the name of the relevant Fund.

The Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB). Such Fund's audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each investor within 120 days of such Fund's fiscal year end. Limited partners in such Funds will not receive statements from any custodians.

Item 16 – Investment Discretion:

The Adviser has discretionary authority to manage investments on behalf of the Funds. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the applicable Partnership Agreement, however, the General Partner has entered into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in the Funds 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 Adviser assumes this discretionary authority pursuant to the terms of the Partnership Agreements and powers of attorney executed by the limited partners of the Funds.

Item 17 – Voting Client Securities (Proxy Voting):

The Adviser has adopted written policies and procedures regarding proxy voting (the “Proxy Voting Policies”) as part of the Compliance Manual. Though the Funds are primarily invested in private portfolio company investments, from time to time, the Adviser will vote proxies with respect to the assets owned by the Funds. In the event that the Adviser is required to vote proxies on behalf of a Fund, it is the Adviser’s policy to exercise the proxy vote in the best interest of the applicable Fund, taking into consideration all relevant factors, including without limitation, acting in a manner that the Adviser believes will maximize the economic benefits to the Fund and promote sound corporate governance by the issuer. Whenever the Adviser is required to exercise a vote for a privately-held portfolio company, the Adviser applies the standards and procedures described above.

The Adviser seeks to avoid material conflicts of interest between its own interests and the interests of the Funds. The Adviser generally has a representative on the board of directors of a portfolio company, and proxies are typically (but not always) cast in accordance with board recommendation. In situations where the Adviser is required to vote the proxy for a company in which related persons of the Adviser serve on the board of directors, the Adviser has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return of the Fund’s investment in such portfolio company.

All conflicts of interest related to proxy voting will be resolved pursuant to the Adviser’s Proxy Voting Policies in a manner consistent with the best interests of the relevant Fund. In situations where the Adviser’s compliance committee (the “Proxy Conflict Committee”) perceives a material conflict of interest, the Adviser may: (i) disclose the conflict to the relevant Fund’s advisory board and obtain such advisory board’s informed consent as to the fact that a material conflict exists in voting such Fund’s proxy in the manner favored by the Adviser, (ii) defer to the voting recommendation of an independent third-party provider of proxy services or (iii) take such other action in good faith that protects the interests of the Funds.

The Adviser will provide the limited partners, upon request, with (i) information pertaining to proxies voted by the Adviser on behalf of the Funds and (ii) a copy of the Adviser’s complete Proxy Voting Policies.

Item 18 – Financial Information

At this time, the Adviser has no financial commitments that impair its ability to meet contractual or fiduciary commitments to the Funds. The Adviser has not been the subject of a bankruptcy proceeding. Please see the attached most recent audited balance sheet.

DIAMOND CASTLE HOLDINGS, LLC

BALANCE SHEET

December 31, 2017

DIAMOND CASTLE HOLDINGS, LLC
New York, New York

BALANCE SHEET
December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Members
Diamond Castle Holdings, LLC
New York, New York

Report on the Financial Statement

We have audited the accompanying balance sheet of Diamond Castle Holdings, LLC as of December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Diamond Castle Holdings, LLC as of December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

New York, New York
August 21, 2018

DIAMOND CASTLE HOLDINGS, LLC
BALANCE SHEET
December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,654,060
Due from related parties	1,482,260
Due from service provider	392,926
Note receivable - current	13,517
Other intangible assets, net	984
Prepaid expenses and other current assets	<u>40,245</u>

6,583,992

Restricted cash	1,724,287
Property and equipment, net	<u>3,794</u>

Total assets	<u><u>\$ 8,312,073</u></u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 478,726</u>
	478,726

Deferred rent payable	<u>61,668</u>
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Total liabilities	<u>540,394</u>
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Commitments and contingencies (Notes 6 and 7)

Members' equity	<u>7,771,679</u>
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	<u><u>\$ 8,312,073</u></u>
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See accompanying notes to balance sheet.

DIAMOND CASTLE HOLDINGS, LLC
NOTES TO BALANCE SHEET
December 31, 2017

NOTE 1 – ORGANIZATION AND BUSINESS

Diamond Castle Holdings, LLC (the “Company”) is a Delaware Limited Liability Company formed in August 2004. The Company is a New York based private equity investment firm that works in partnership with management teams to execute leveraged buyouts and make growth capital and equity-like investments in public and private companies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For purposes of the balance sheet, cash equivalents, which are held at various financial institutions, may include time deposits, money market accounts, and all highly liquid debt instruments with original maturities of three months or less when purchased. The Company maintains cash in bank deposit accounts, which, at times, exceeds federally insured limits. The Company has not experienced any losses on these accounts.

Restricted cash

Restricted cash consists of accounts held at banks in the Company’s name as collateral for 1) an unconditional irrevocable letter of credit issued in connection with the Company’s office lease as described in Note 6 to these financial statements, and 2) an escrow deposit supporting a services agreement entered into during 2017 and expiring during 2022.

Due from related parties

Due from related parties are reported at their net realizable value. At December 31, 2017, the Company did not consider any unpaid balances uncollectible.

Property and equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Additions, improvements and replacements are capitalized. Depreciation of property and equipment is provided for by the straight-line method over the estimated useful lives of the related assets. The useful lives of property and equipment range from three to seven years. As part of a services agreement entered into on April 1, 2017, the Company sold its furniture, fixtures, and leasehold improvements, at depreciated cost.

Impairment of long lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value.

DIAMOND CASTLE HOLDINGS, LLC
NOTES TO BALANCE SHEET
December 31, 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Management fees are recorded when earned in accordance with the terms of their respective executed agreements with managed funds.

Management fees are generally received in advance, semi-annually, on each January 1 and July 1, and are recorded as deferred management fees when received and recognized ratably to income during a six month period as described above.

Income taxes

The Company has elected to be treated as a Partnership for Federal and New York State income tax purposes. As such, no provision or liability is made for Federal and State income taxes since such obligations are the responsibility of the individual members. A provision is made for the New York City Unincorporated Business Tax.

The Company accounts for New York City Unincorporated Business Taxes using the liability method, which requires the determination of deferred tax assets and liabilities, based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse. The net deferred tax asset is adjusted by a valuation allowance, if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized.

The Company previously adopted guidance issued by the Financial Accounting Standards Board with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Company has no amounts accrued for interest or penalties as of December 31, 2017.

The income tax returns of the Company for 2016, 2015, and 2014 are subject to examination by federal, state and city taxing authorities. Such examinations could result in adjustments to net income or loss, which changes could affect the income tax liability of the individual members.

DIAMOND CASTLE HOLDINGS, LLC
NOTES TO BALANCE SHEET
December 31, 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of a balance sheet in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Accordingly, actual amounts could differ from those estimates.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of recently effective accounting standards did not have a material effect on the Company's balance sheet, nor does the Company believe that any other recently issued but not yet effective, accounting standards will have a material effect on the Company's balance sheet when adopted.

NOTE 4 –RELATED PARTY TRANSACTIONS

The managing members of the Company are also the managing members and/or general partners of the investment funds that are managed by the Company.

Due from related parties represents amounts receivable from the managed funds in relation to expenses paid by the Company on behalf of the Funds, which are reimbursable to the Company in accordance with the management agreements. The amounts are due on demand and do not bear interest.

Notes receivable represent a loan made to an employee of the Company to facilitate investments in the investment funds managed by the Company.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following:

Office equipment	\$ 7,942
Less accumulated depreciation	<u>(4,148)</u>
Property and equipment, net	<u>\$ 3,794</u>

DIAMOND CASTLE HOLDINGS, LLC
NOTES TO BALANCE SHEET
December 31, 2017

NOTE 6 – COMMITMENTS

The Company is subject to a non-cancellable operating lease for office space. Under the terms of the agreement governing 366 Madison Avenue, New York, NY, the Company was required to secure a \$303,157 unconditional irrevocable letter of credit.

The future minimum lease payments for the non-cancellable operating lease is as follows:

<u>Year ending December 31,</u>	
2018	\$ 418,728
2019	430,433
2020	465,187
2021	475,397
2022	486,093
2023	<u>204,413</u>
Total	<u>\$ 2,480,251</u>

The lease provides for scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the leases. Deferred rent payable in the accompanying balance sheet represents the cumulative rent expense charged to operations from inception of the lease in excess of required lease payments to date.

NOTE 7 – CONTINGENCIES

The Company is a party to litigation matters and claims from time to time in the ordinary course of its operations, including portfolio company litigation. While the results of such litigation and claims cannot be predicted with certainty, the Company believes that the final outcome of such matters will not have a material adverse impact on the Company's financial statements.

NOTE 8 – INDEMNIFICATIONS

In the normal course of business, the Company enters into contracts that contain a variety of indemnifications with its employees, suppliers and service providers. Further, the Company indemnifies its Members and officers who are, or were, serving at the Company's request in such capacities. The Company's maximum exposure under these arrangements is unknown as of December 31, 2017. The Company does not anticipate recognizing any significant losses relating to these arrangements.

NOTE 9 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017 to determine the need for any adjustments to and/or disclosures in the

DIAMOND CASTLE HOLDINGS, LLC
NOTES TO BALANCE SHEET
December 31, 2017

NOTE 9 – SUBSEQUENT EVENTS (Continued)

balance sheet for the year ended December 31, 2017. Management has performed their analysis through August 21, 2018, the date the balance sheet was available to be issued.