

**Part 2A of Form ADV  
Investment Adviser Brochure**

**RIVER ASSOCIATES INVESTMENTS (TN), LLC**

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This Brochure provides information about the qualifications and business practices of River Associates Investments (TN), LLC. If you have any questions about the contents of this Brochure, please contact us at (423) 755-0888 or at <http://www.riverassociates.com>.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. River Associates is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

This is an annual amendment of River Associates Investments (TN), LLC's Brochure that was last updated on March 28, 2018<sup>7</sup>. This update includes the following material changes:

- Item 4: The amount of client assets managed has been updated as of December 31, 2018.

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## Item 4 – Advisory Business

River Associates Investments (TN), LLC, an investment adviser registered with the SEC, is a Tennessee limited liability company, organized in May 2001 and is majority owned by its senior managers (the “Principals”), as described in River Associates Investments (TN), LLC’s Form ADV Part 1A, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). There are no persons who own 25% or more of River Associates Investments.

River Associates Investments (TN), LLC and its relying adviser, River Associates Investments, L.P. (a Delaware Limited Partnership,) (each individually a “Management Company” and collectively, “River Associates”) provide investment advisory services to a limited number of privately offered investment funds (the “Funds”). River Associates Investments, L.P. is deemed registered with the SEC under River Associates Investments LLC’s registration.

River Associates’ clients include: River IV, LP; Hiawassee River, LP; River KO, LP; River V, LP; Tellico River, LP; and River VI, LP, River VI Parallel, LP, and River VII, LP (each individually a “Fund,” and collectively the “Funds”). For certain Funds, River Associates serves as the general partner as well as the investment adviser. For those Funds in which River Associates does not also serve as the general partner, an affiliated entity serves as general partner as detailed in the table below. Further, certain Funds have a special limited partner (“SLP”) that is predominantly owned by the Principals and certain employees of River Associates as denoted by the table below. The SLP is entitled to receive an allocation of capital gain (“Carried Interest”) as described in Item 6.

Fund	General Partner	Special Limited Partner (SLP)	Management Company
River IV, LP	River Associates Investments (TN), LLC	Santa Fe Holding IV, LLC	River Associates Investments (TN), LLC
Hiawassee River, LP	River Associates Investments (TN), LLC	Santa Fe Holding IV, LLC	River Associates Investments (TN), LLC
River KO, LP	River Associates Investments (TN), LLC	Santa Fe Holding IV, LLC	River Associates Investments (TN), LLC
River V, LP	River Associates Investments (TN), LLC	SFCI, LLC	River Associates Investments (TN), LLC

Tellico River, LP	River Associates Investments (TN), LLC	SFCI, LLC	River Associates Investments (TN), LLC
River VI, LP	River Associates VI, LLC	SFVICI, LLC	River Associates Investments (TN), LLC
River VI Parallel, LP	River Associates VI, LLC	SFVICI, LLC	River Associates Investments (TN), LLC
River VII, LP	River Associates VII, LLC	Santa Fe Holding VII, LP	River Associates Investments, L.P.

The Funds generally invest in a portfolio of private equity investments in lower-middle-market operating companies (“Portfolio Companies”) based in the U.S. and Canada. Investors (each a “Limited Partner”) in each Fund generally participate in the entire portfolio of investments for each Fund, with limited options to not participate in certain investments due to specific circumstances.

River Associates’ advisory services are described in the Private Placement Memorandum (“PPM”), Management Agreement, and Limited Partnership Agreement and ancillary documents to that Agreement (collectively, the “LPA”) for each Fund, as applicable. Additionally, River Associates or the Funds may enter into letter agreements with specific Limited Partners of the Funds (“Side Letters”) whereby such Limited Partners may receive specific rights, benefits, or privileges that may not be available to other Limited Partners. Such agreements will be disclosed only to those actual or potential Limited Partners in the Funds that have separately negotiated with the relevant general partner for the right to review such agreements.

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Management Agreement, if any, between such Fund and River Associates and/or their organizational documents. Investment restrictions for the Funds, if any, are generally established in their organizational documents.

River Associates’ investment advisory services to the Funds generally consist of identifying and evaluating relevant investment opportunities, negotiating the terms of investments, monitoring and managing investments, and overseeing the disposition of investments, including management of any post-disposition issues.

As of December 31, 2018 River Associates managed approximately \$394,953,000.00 in assets on a discretionary basis. River Associates does not currently manage any clients’ assets on a non-discretionary basis.

Note that all descriptions of the Funds in this brochure, including their fee structures, investment strategies, and other terms are qualified in their entirety by reference to each Fund's respective PPM and LPA.

## **Item 5 – Fees and Compensation**

### **Fees**

Each Management Company receives a management fee (the “Management Fee”) from each of the Funds to which they provide day-to-day advisory services, as specified in the applicable LPA. The general partners or SLP’s, as applicable, may receive an allocation of Carried Interest upon the disposition of a Portfolio Company of the Fund with which they are affiliated. Portfolio Companies of the Funds generally compensate the relevant Management Company for performing certain management and advisory services through the acquisition, ownership, disposition, and in certain cases post-closing periods of the Funds’ investment (“Monitoring Fees”). In certain cases the Monitoring Fees paid by Portfolio Companies to the Management Company of a specific Fund will partially offset the Management Fee payable by that Fund to that Management Company, as specified in the applicable LPA and further described herein. Monitoring Fees that are paid by a Portfolio Company that is owned by two or more Funds are allocated pro rata by each Fund’s ownership for purposes of calculating any such offset amount.

The Funds also incur certain operating expenses as described below. Any expenses incurred by a Management Company on behalf of a Fund are reimbursable by the Fund to the Management Company subject to the terms of the applicable LPA. If any expenses are associated with two or more Funds, such expenses will typically be allocated to each Fund in a fair and equitable manner.

### **Management Fees**

The applicable Management Company receives a Management Fee from the Funds as generally described below:

#### **River IV, L.P.**

River IV, L.P. paid a Management Fee to River Associates Investments (TN), LLC annually, in advance, equal to (i) for the initial investment period, 2.50% of the total capital contributions made or committed to be made, and (ii) thereafter, 2.25% of the net of (x) the total contributions made by the Fund less (y) the total distributions representing returns of capital for portfolio investments. The investment period for this Fund is closed and the Fund no longer incurs the Management Fee.

#### **River KO, L.P.**

River KO, L.P. paid a Management Fee to River Associates Investments (TN), LLC annually, in advance, equal to (i) for the initial investment period, 2.50% of the total capital contributions made or committed to be made, and (ii) thereafter, 2.25% of the net of (x) the total contributions made by the Fund less (y) the total distributions representing returns of capital for portfolio investments. The investment period for this Fund is closed and the Fund no longer incurs the Management Fee.

Hiawassee River, L.P.

Hiawassee River, L.P. paid a Management Fee to River Associates Investments (TN), LLC annually, in advance, equal to (i) for the initial investment period, 2.00% of the total capital contributions made or committed to be made, and (ii) thereafter, 1.75% of the net of (x) the total contributions made by the Fund less (y) the total distributions representing returns of capital for portfolio investments. The investment period for this Fund is closed and the Fund no longer incurs the Management Fee.

River V, L.P.

River V, L.P. pays a Management Fee to River Associates Investments (TN), LLC annually, in advance, equal to (i) for the initial investment period, 2.50% of the total capital contributions made or committed to be made, and (ii) thereafter, 2.25% of the net capital invested in and reserved for Portfolio Companies, subject to imitations on capital calls in excess of the original subscription amounts as specified in the amended LPA. The Fund no longer has any investments in Portfolio Companies, and therefore the Fund will not incur any additional Management Fees in the future.

Tellico River, L.P.

Tellico River, L.P. pays a Management Fee to River Associates Investments (TN), LLC annually, in advance, equal to (i) for the initial investment period, 2.00% of the total capital contributions made or committed to be made, and (ii) thereafter, 1.75% of the net capital invested in and reserved for Portfolio Companies, subject to imitations on capital calls in excess of the original subscription amounts as specified in the amended LPA. The Fund no longer has any investments in Portfolio Companies, and therefore the Fund will not incur any additional Management Fees in the future.

River VI, L.P.

River VI, L.P. pays a Management Fee to River Associates Investments (TN), LLC quarterly, in advance, equal to (i) for the initial investment period, 0.50% (i.e. 2.00% annually) of the total capital contributions made or committed to be made, and (ii) thereafter, 0.50% (i.e. 2.00% annually) of the net capital invested in and reserved for Portfolio Companies.

River VI Parallel, L.P.

River VI Parallel, L.P. pays a Management Fee to River Associates Investments (TN), LLC quarterly, in advance, equal to (i) for the initial investment period, 0.50% (i.e. 2.00% annually) of the total capital contributions made or committed to be made, and (ii) thereafter, 0.50% (i.e. 2.00% annually) of the net capital invested in and reserved for Portfolio Companies.



### River VII, L.P.

River VII, L.P. pays a Management Fee to River Associates Investments, L.P. quarterly, in advance, equal to (i) for the initial investment period, 0.50% (i.e. 2.00% annually) of the total capital contributions made or committed to be made, and (ii) thereafter, 0.50% (i.e. 2.00% annually) of the net capital invested in and reserved for Portfolio Companies.

Because Management Fees, for the period after the initial investment period, are typically based upon the amount of deployed capital, the Management Fee structure may create an incentive for River Associates to cause the Funds to deploy capital that they may not have deployed without this structure in place, which presents a potential conflict of interest. River Associates believes that its Principals' investments in the Funds generally serve to align their interests with the Funds' Limited Partners in this respect.

### **Portfolio Company Fees and Expenses, Management Fee Offsets**

The Management Fee of certain Funds will be partially reduced by a portion of the Monitoring Fees, directors' fees, financial consulting fees, advisory fees, break-up fees, or transaction fees paid by Portfolio Companies or prospective Portfolio Companies of a Fund to the Management Company or its affiliates. To the extent any Management Fee is subject to an offset amount that would reduce the Management Fee for a given year below zero, a credit against the Management Fee will be carried forward and added to the fees subject to offset in future periods. The Management Company has general discretion over the amount of such fees, if any, to charge to the Portfolio Companies. Because the amount of such fees retained by the Management Company and its affiliates (i.e. the amount in excess of the offset amount to Management Fees) is substantial, such fees could create a conflict of interest between a Fund and the Management Company and its affiliates, particularly in instances where the Fund's ownership percentage of the Portfolio Company exceeds the percentage by which such fees paid by the Portfolio Company offset the Management Fee.

Additionally, Portfolio Companies may reimburse the Management Company for certain expenses that it incurs on behalf of the Portfolio Company. Examples include, but are not limited to, Directors and Officers insurance, travel and travel-related expenses incurred by the Management Company or the Principals for Portfolio Company-related events (such as board meetings, management meetings, and industry trade shows), and legal and other third-party professional expenses related to Portfolio Company matters. In instances where the Management Company receives negotiated discounts with certain third-party vendors, such discounts will also be made available to the Funds and their Portfolio Companies. The Funds and their Portfolio Companies may either choose to avail themselves of these discounted services, or alternately seek to obtain separate third-party vendor services for various business reasons, or to avoid the appearance of any conflicts of interest. In no case will the Management Company "mark-up" any costs borne by it and reimbursed by the Management Company. Some of the services paid for by the Portfolio Company, such as Directors and Officers insurance, may also serve to benefit the Management Company and its affiliates. No such reimbursement of

expenses by the Portfolio Company to the Management Company and its affiliates will be considered for purposes of the Management Fee offset amount calculation as described above.

### **Organizational Expenses of the Funds**

The Funds typically pay (or reimburse the relevant Management Company) for organizational expenses, as specified in the respective LPA, up to a specified amount. Any organizational expenses in excess of such specified amount, or any organizational expenses related to fees payable to placement agents for a Fund, will be generally borne by the Management Company either directly or through reductions in the Management Fee.

### **Operating Expenses of the Funds**

Subject to the relevant LPA, the Management Company typically pays for the expenses of the Partnership constituting salaries and employee benefits, office expenses and office rental. Other Operating Expenses incurred by a Fund or the Management Company and its affiliates and paid for by a Fund are specified in the respective Fund's LPA, and may include:

- brokerage fees and commissions;
- general research expenses;
- fees and charges incurred in connection with the maintenance of bank or custodian accounts;
- interest on margin accounts and other indebtedness;
- withholding and transfer fees;
- clearing and settlement charges;
- out-of-pocket expenses of transactions not consummated;
- taxes, fees and other applicable governmental charges;
- travel expenses;
- legal, accounting, audit and tax preparation expenses (including services that are performed and/or equipment that is used by a designee or agent of the respective general partner);
- reimbursements to the respective general partner or its affiliates for insurance premiums relating to the Funds' operation and general partner and affiliates' operations; and
- other similar expenses related to the Funds or any extraordinary expenses as the respective general partner determines in its sole discretion.

### **Carried Interest**

As further described in Item 6 below, a general partner or SLP of the Funds may be entitled to receive performance-based compensation (i.e., Carried Interest) from the Funds pursuant to the respective Fund's governing documents. Carried Interest is generally calculated as 20% of the Funds' realized profits on investments, subject to certain provisions and limitations in each Fund's respective LPA.

Carried Interest is generally paid to the general partners or SLP from investment proceeds when earned, and is subject to a potential claw-back, typically at the end of the life of a Fund, if the

general partner or SLP has received excess cumulative distributions, as defined in the relevant Fund's LPA.

### **Allocation of Fund Expenses**

Expenses pertaining directly to a Fund will be charged to that Fund. If any expenses are associated with two or more Funds, such expenses will typically be allocated to each Fund in a fair and equitable manner. In circumstances where one or more co-investment vehicles invest alongside a Fund into a specific investment, direct costs pertaining to such investment, including any expenses related to potential investment opportunities that are not ultimately consummated, will typically be allocated based on the actual or expected relative share of invested capital in such investment of the Fund and the applicable co-investment vehicles.

### **Senior Advisors**

River Associates may hire non-affiliated third-party consultants throughout the Funds' investment processes, including senior advisors with relevant operating experience and industry-specific knowledge about certain transaction opportunities or Portfolio Companies. Senior advisors may assist with a variety of activities, including market research, new investment identification, pre-investment business due diligence and post-investment value creation. Senior advisors are not employees of River Associates.

Senior advisors are typically paid a consulting fee by River Associates, which in some cases may be allocated to one or more Portfolio Companies. Consulting fees may vary depending upon a number of variables, including expertise and time commitment to the Portfolio Companies. From time-to-time, these individuals may also co-invest in transactions in which they are involved. A senior advisor may take on a more active role, including, for example, serving on the board of directors or providing additional services directly to the Portfolio Company. In such cases, the senior advisor may receive direct compensation from the Portfolio Company under terms agreed to by the Portfolio Company and the senior advisor. Any such compensation will be in addition to and will not offset the Management or Monitoring Fees.

### **Other Third-Party Advisors**

River Associates has a network of trusted third-party advisors with whom it works across multiple Funds and Portfolio Companies for matters such as market research, legal, accounting, tax, information technology, operations, and human resources, among others. As discussed above, River Associates may recommend the services of these advisors to the Funds or Portfolio Companies from time-to-time, and the expenses of the advisors are borne by the Funds or the Portfolio Companies, as the case may be, and in the case of expenses borne by the Funds, such expenses are in addition to, and in no way offset, the Management Fee. Although River Associates believes that the selection of such advisors is predominantly motivated by its interest in creating value for the Fund, River Associates may have a conflict of interest in recommending these advisors to the Funds or Portfolio Companies if such recommendation is motivated by the belief that doing so preserves goodwill between the advisor and River Associates. Further, because such expenses are borne by the Funds or the Portfolio Companies, as the case may be,

River Associates may be motivated to seek the best advisor possible, regardless of cost, when the services of a satisfactorily qualified advisor could be retained for less cost.

### **Termination of Advisory Relationship**

Withdrawals of capital are generally not permitted. Investments in the Funds are generally long-term in nature with no ability to liquidate prior to the termination of a Fund. Limited Partners in the Funds are requested to refer to the LPA of each Fund for information on investment restrictions. Appropriate treatment will be given to all Management Fees collected in advance. For example, upon the termination of an Investment Management Agreement, any unearned, pre-paid advisory fees will generally be refunded on a pro-rata basis.

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

### **Performance-Based Fees**

As described in Item 5 above and detailed in each Fund's LPA, the general partner or SLP may be entitled to receive performance-based compensation in the form of Carried Interest from the Funds. Carried Interest payments to the general partner or to the SLP directly benefit the Principals of River Associates through their ownership of these entities. The performance-based compensation may therefore create an incentive for River Associates to cause the Funds to make investments which may be riskier or more speculative than those which would be made under a different compensation arrangement, however, River Associates believes that performance-based compensation generally serves to better align its interests with the interests of the Funds and their Limited Partners.

### **Side-by-Side Management**

River Associates rarely manages more than one Fund family (i.e. a Fund and its related parallel Fund(s)) with overlapping investment periods. In certain limited circumstances, however, River Associates may be presented with an investment opportunity that is suitable for more than one Fund and that is within the overlapping investment period of those Funds. The allocation of such investment opportunities between Funds could present a conflict of interest due to, among other considerations, different economic benefits or potential benefits to River Associates directly or indirectly related to the allocation of such opportunity.

If such investment opportunity is a suitable add-on acquisition for a Portfolio Company of one of those Funds, then the investment will typically be allocated to the Fund that owns that Portfolio Company for which the investment is a suitable add-on acquisition.

Otherwise, River Associates will make a good faith determination of a fair and equitable allocation of such investment opportunity between the Funds. In making such determination, River Associates may consider, among other things, the size of the investment opportunity and the likely size of any follow-on investments relative to the total and uncalled commitments of each Fund, the investment strategy and objectives of each Fund, the contractual provisions of the LPA and Side Letters of each Fund, the suitability requirements, risk profile, and

diversification of each Fund, and the likely hold period of the investment relative to the remaining life of each Fund. It is important to note that such allocations may not result in proportional allocations between individual Limited Partners who are invested in more than one Fund, and therefore such allocations may result in a more favorable outcome for one such individual Limited Partner versus another.

In circumstances where an investment opportunity is allocated to more than one Fund, River Associates will use its best efforts to ensure that each Fund's allocation has the same proportion of the same securities with the same liquidation preference and subject to generally the same terms as the other Fund's. However, in circumstances where River Associates is unable to do so, future events could arise, particularly in distressed situations, where the Funds have conflicting interests in their overall strategies for their investments in the Portfolio Company.

## **Item 7 – Types of Clients**

River Associates provides investment advisory services to the Funds. Investment advice is provided directly to each Fund, subject to the direction and control of the general partner of the Fund, and not individually to the Limited Partners of the Funds. The Limited Partners participating in the Funds may include individuals, banks, trusts, charitable organizations, profit sharing plans, public and private institutional pension plans, endowments and foundations, and may include, directly or indirectly, principals or other employees of River Associates and its affiliates as disclosed in the governing documents.

As a purchaser of the limited partnership interests in a private placement not registered under the Securities Act of 1933 (the "Securities Act"), each purchaser will be required to represent that it is acquiring the limited partnership interests purchased by it for investment and not with a view to resale or distribution and that it is an accredited investor within the meaning of Regulation D of the Securities Act. Further, each purchaser must be prepared to bear the economic risk of the investment for an indefinite period, since the limited partnership interests cannot be sold unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is unlikely that the limited partnership interests will ever be registered under the Securities Act.

Minimum investment commitments established for Limited Partners in the Funds are stated in each Fund's PPM. Each Fund's general partner reserves the right to waive this minimum in its sole discretion.

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

### **Method of Analysis and Investment Strategies**

The Funds seek to create long-term capital appreciation through the purchase of a portfolio of controlling private equity investments in lower middle market operating companies headquartered in the U.S. and Canada. Each Fund's LPA may dictate restrictions on certain types

of investments and limit the percentage of the Fund's total commitment amount that can be invested in any one Portfolio Company. River Associates' investment advisory services to the Funds generally consist of sourcing and evaluating relevant investment opportunities, negotiating the terms of investments, monitoring, managing, and controlling the investments through the Principals' roles as directors of each Portfolio Company, and overseeing the disposition of investments, including management of any post-disposition issues.

The Funds will generally target investments in companies where River Associates believes it can add value through the Principal's operating experience in working with small business management teams. River Associates seeks to add value to the Fund's investments by creating a capital structure that allows for growth, allocating capital between internal needs and acquisitions, finding and negotiating add-on acquisitions, recruiting and incentivizing key personnel, and assisting the Portfolio Company management team with strategic planning.

There can be no assurance that River Associates will be successful in achieving these objectives, and a partial or total loss of the Fund's investment is therefore possible. Prospective Limited Partners should carefully consider the risk factors set forth in each Fund's PPM, certain of which are discussed below.

### **Material Risks**

The purchase of an interest in the Funds is speculative and involves a number of significant risks relating to investments in limited partnerships generally and relating to the structure and investment objectives of the Funds in particular. There can be no assurance that the Funds' investment objectives will be achieved, or that a Limited Partner will receive a return of its capital. Risks associated with investments in the Funds include, but are not limited to, the risks discussed below and should be carefully evaluated, along with each description of risk in each Fund's respective PPM, before making an investment in the Funds.

### **No Assurance of Investment Return**

Each Fund's general partner cannot provide assurance that it will be able to choose, make and/or realize investments in any particular company or portfolio of companies. There can be no assurance that the Funds will be able to generate returns for their Limited Partners or that the returns will be commensurate with the risks of investing in the types of companies and transactions described in the Fund's PPM. There can be no assurance that any Limited Partner will receive any distribution from the Funds. Any return on investment to the Limited Partners will depend upon successful investments being made by the Funds. The marketability and value of any such investment will depend upon many factors beyond the control of the Funds. The expenses of the Funds, including but not limited to the Management Fees, may exceed their income, and a Limited Partner could lose the entire amount of its contributed capital. Therefore, a prospective Limited Partner should only invest in the Funds if the Limited Partner can withstand a total loss of its investment.

### Lack of Operating History

The Funds are newly-formed entities upon their inception, and, accordingly, have no operating history upon which prospective Limited Partners may evaluate their likely performance. Although River Associates has prior experience relating to investments in Portfolio Companies, each Fund has no basis upon which an evaluation of its prospects can be made upon inception. There can be no assurance that the investments by the Funds will achieve returns comparable to the historical performance of other Funds, or that the Funds will be able to avoid losses.

### Nature of the Funds' Investments

A substantial portion of the Funds' investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the Funds will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

### Highly Competitive Market for Investment Opportunities

There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Funds to invest all of their commitments in opportunities that satisfy the Funds' investment objectives or that such investment opportunities will lead to completed investments by the Funds. Identifying, structuring, implementing and realizing on attractive investments is highly competitive. The Funds compete for investments with other private equity investors, as well as strategic purchaser operating companies, individuals, financial institutions and other institutional investors. Additional funds and other sources of investment capital with the same or similar investment objectives may be created in the future by other unrelated parties, which may compete with the Funds for investment opportunities. It is possible that such competition for appropriate investment opportunities may limit significantly the number of opportunities available to the Funds and/or adversely affect the terms upon which investments can be made. There can be no assurance that the Funds will be successful in their efforts to identify and complete attractive investment opportunities, and it is possible that the Funds' commitments will not be fully utilized if sufficient attractive investments are not identified and consummated by the Funds during their investment periods.

### Illiquid Fund Investments

The Funds' investment portfolios will consist primarily of controlling investments in private companies. It is unlikely that there will be a readily available market for the Funds' investments. The Funds will generally not be able to sell their investment securities publicly unless such sale is registered under applicable securities laws or unless an exemption from such registration requirement is available. It is highly speculative as to whether and when a Portfolio Company will be able to register its securities so that the securities become eligible for trading in public

markets. In addition, in some cases, the Funds may be prohibited by contract or legal or regulatory reasons from selling securities for a period of time. There can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to Limited Partners in the Funds.

#### Lack of Diversification

Although the Funds are generally restricted from investing more than a specified percentage of their aggregate Commitments in any one Portfolio Company, diversification is not an objective of the Funds. The Funds' portfolios may include a small number of large positions. As a consequence, the aggregate returns to Limited Partners may be substantially adversely affected by the unfavorable performance of even a single investment.

#### Uncertainty of Financial Projections

Each Fund's general partner will generally establish the capital structure of a Portfolio Company on the basis of financial projections for such Portfolio Company. Projections are inherently subject to uncertainty and factors beyond the control of the applicable general partner and the Portfolio Company. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

#### Leverage

The Funds' investments may involve Portfolio Companies whose capital structures have significant leverage. These companies may be subject to restrictive financial and operating covenants. The leverage may impair these companies' ability to finance their future operations and capital needs. Such investments will be inherently more sensitive to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the Portfolio Company or its industry.

#### Market Volatility

Volatility in the capital, credit, and securities markets could negatively impact the Funds in a number of ways. Many of the investments purchased, held and sold on behalf of the Funds may be complex, and their market values will be highly sensitive to market changes. Overall Fund returns may be reduced as relatively small changes in the capital, credit or securities markets may have significant impacts on the profitability of Fund investments. In addition, Congress and regulatory agencies may adopt new financial regulations and tax policies which could restrict the Funds' investment options and be otherwise unfavorable to the Funds.

#### Financial Markets and Regulatory Change

The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Funds' activities can change quickly and unpredictably, and may at any time be amended,



modified, repealed or replaced in a manner adverse to the interests of the Funds. The Funds, the general partners and each Management Company may be or may become subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions, including restrictions on short selling of certain securities in certain jurisdictions. The extent to which the underlying causes of these recent events are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear. These recent events, and their underlying causes, are likely to be the catalyst for changes in global financial regulation for some time, and may result in major and unavoidable losses to the Funds.

#### Reliance on Portfolio Company Management

The day-to-day operations of each Portfolio Company in which the Funds invest will be the responsibility of such Portfolio Company's management team. Although River Associates will be responsible for monitoring the performance of each Fund investment and generally intends to cause each Fund to invest in Portfolio Companies operated by strong management, there can be no assurance that the existing management team or any successor will be able to operate any such Portfolio Company in accordance with the Funds' expectations.

#### Risks in Effecting Operating Improvements

In some cases, the Funds' investment strategies will depend, in part, on the ability of the Funds to restructure, and effect improvements in the operations of, a Portfolio Company. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

#### Investments Longer than Term

The Funds may make investments that may not be advantageously disposed of prior to the date that a Fund will be dissolved, either by expiration of a Fund's term or otherwise. Although the general partners expect that the Funds' investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

#### Non-Controlling Investments; Investments with Third Parties

The Funds may hold non-controlling interests in Portfolio Companies where they may have limited or no influence. Such Portfolio Companies may have economic or business interests or goals that are inconsistent with those of the Funds, and the Funds may not be in a position to protect the value of their investments in such Portfolio Companies, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the Funds' investments. The Funds may also co-invest in a Portfolio Company with financial, strategic or other third-party investors through partnerships, joint ventures or other entities. Such investments may involve additional risks not present in investments where a third-party co-investor is not involved, including the possibility that a third-party co-investor may have economic or business interests or objectives that are inconsistent with those of the

Funds or may be in a position to take (or block) action in a manner contrary to the Funds' interests or objectives. In addition, the Funds may, in certain circumstances, be liable for actions of its third-party co-investors.

#### Non-U.S. Investments

Subject to any limitations in the respective LPA, the Funds may invest in Portfolio Companies (or add-on acquisitions to Portfolio Companies) whose principal executive offices or corporate headquarters are, at the time of initial investment, outside of the United States or Canada. Investing in non-U.S. securities may involve substantially greater risks than investing in U.S. securities including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Funds' non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency to another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (iv) certain economic and political risks, including potential exchange control regulations, potential restrictions on foreign investments and repatriation of capital and the risks associated with political, economic or social instability, diplomatic developments and the possibility of expropriation or confiscatory taxation; and (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. While the general partners will take these factors into consideration in making investment decisions for the Funds and intend to manage the Funds in a manner to minimize exposure to the foregoing risks, there can be no assurance that the general partners will be able to evaluate the risks accurately or that adverse developments with respect to such risks will not adversely affect the value or realization of investments that are held by the Funds in certain countries.

#### Foreign Currency and Exchange Rate Risks

A portion of the Funds' investments and the income received by the Funds with respect to such investments may be denominated in non-U.S. currencies. However, the Funds' books will be maintained, and the contributions and distributions from a Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by the Funds, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Funds. In addition, the Funds may incur costs in converting investment proceeds from one currency to another. Although the general partners may enter into hedging transactions designed to reduce such currency risks, subject to restriction in each Fund's LPA, there can be no assurance that the general partners will be able to do so successfully or cost-effectively, and the general partners may decide not to hedge against such risks.

#### Bridge Financings

From time to time, the Funds may lend to Portfolio Companies on a short-term, unsecured basis or otherwise invest on an interim basis in Portfolio Companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans will

typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

#### Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment in a Portfolio Company, the Funds may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Funds may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the general partners may establish reserves and/or escrow accounts. In that regard, distributions may be delayed or withheld until such reserves are no longer needed or the escrow periods expire. In addition, Limited Partners may be required to return amounts distributed to them to satisfy Fund obligations, including indemnity obligations.

#### Dependence on Key Personnel

The general partners will have exclusive responsibility for the Funds' activities, and other than as may be set forth in the respective PPM or LPA, Limited Partners will not be able to make investment or any other decisions in the management of the Funds. Limited Partners will therefore be relying on the ability of the general partners to select the investments to be made by the Funds. The success of the Funds will also be highly dependent on the expertise and performance of the Principals and the other members of River Associates' professional staff. There can be no assurance that these professionals will continue to be associated with the general partners or any of their affiliates throughout the life of the Funds.

#### Need for Follow-on Investments

The Funds may be called upon to provide follow-on funding for their Portfolio Company investments or may have the opportunity to increase their investments in Portfolio Companies. There can be no assurance that the Funds will wish to make such follow-on investments or that the Funds will have sufficient capital to do so. The Funds' decision not to make follow-on investments or their inability to do so may have an adverse impact on such Portfolio Companies in need of such investments or may diminish the Funds' proportionate ownership in such Portfolio Companies and thus its ability to influence such Portfolio Companies' future development.

#### Illiquidity of Limited Partner Interests; Restrictions on Transfer

Interests in the Funds have not been registered under the Securities Act, the securities laws of any U.S. state, or the securities laws of any other jurisdiction, and, therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration under the Securities Act or other securities laws will ever be affected. There is no public market for interests in the Funds, and one is not expected to develop. A Limited Partner may not sell, assign

or transfer any of its interests, rights or obligations with respect to its interest in the Funds without the prior written consent of the applicable general partner, which the applicable general partner may grant or withhold in its sole and absolute discretion. Further, a Limited Partner may not withdraw any amount from the Funds except in limited circumstances for legal or regulatory reasons. Consequently, a Limited Partner may not be able to liquidate its investment in the Funds and must be prepared to bear the risks of owning an interest in the Funds for an extended period of time.

#### Reinvestment of Capital

A general partner may have the option to reinvest or recall certain amounts with respect to investments that have been fully or partially realized within a certain time period after the date such investment was made. In addition, bridge financings recouped or recapitalized within a certain time period following the date of closing of such financings may also be subject to reinvestment or recall by the Funds. Accordingly, during the term of the Funds, a Limited Partner may be required to make capital contributions in excess of its commitment amounts, and to the extent such amounts are reinvested in investments, a Limited Partner will remain subject to investment and other risks associated with such investments.

#### Inside Information

From time to time, the Principals, a general partner or their respective affiliates may come into possession of material, non-public information concerning an entity in which the Funds have invested or propose to invest, and the possession of such information may limit the ability of the Funds to buy or sell securities of such entity or to distribute such securities to the Limited Partners.

#### Failure of Limited Partners to Fund their Commitment Obligations

The Funds' investments in Portfolio Companies will require capital calls on Limited Partners over an extended period of time. If a Limited Partner fails to pay installments of its Commitment and the payments made by non-defaulting Limited Partners and borrowings by a Fund are inadequate to cover the defaulted amounts, a Fund may be unable to pay its obligations. As a result, the Funds' ability to complete their investment programs or otherwise to continue operations may be substantially impaired and thus materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners) in the Funds. In the event that a Limited Partner defaults, such Limited Partner may be subject to various penalties, including forfeiture of a substantial portion of its interest, as provided in the LPAs.

#### Dilution from Subsequent Closings

Limited Partners subscribing for interests in the Funds at subsequent closings, if applicable, will participate in existing investments of the Funds, diluting the interest of existing Limited Partners in such existing investments. Although such Limited Partners will contribute their *pro rata* share of capital contributions previously drawn down by the Funds (plus an additional amount thereon), there can be no assurance that such payment will reflect the fair value of the Funds' existing investments at the time such additional Limited Partners subscribe for such interests.

### Indemnification

The Funds are generally required to indemnify, among others, the general partners, the SLPs, the relevant Management Company, the Principals and their respective partners, members, employees, agents, and other affiliates and other persons who serve or provide advisory services and resources at the request of a general partner on behalf of the Funds and members of the Funds' Advisory Boards for liabilities incurred in connection with the affairs of the Funds. Such liabilities may be material. For example, in their capacity as directors of Portfolio Companies, the members, managers, or affiliates of the general partners may be subject to derivative or other similar claims brought by security holders of such companies. The indemnification obligations of the Funds would be payable from the assets of the Funds, including the unused commitments of the Limited Partners. If the assets of the Funds are insufficient to pay such indemnification obligations, the Limited Partners may be required to return distributions previously made to them in order to satisfy such obligations.

### Absence of Regulatory Oversight

None of the Funds are currently registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), as a result of an exemption under Sections 3(c)(1) and/or 3(c)(7) of the Investment Company Act. The Investment Company Act provides various protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Limited Partners, the Funds, the general partners or the Management Company. Neither the general partners nor the Management Company are registered as a broker/dealer under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or with the Financial Industry Regulatory Authority, Inc. ("FINRA"), and is consequently not subject to the record keeping and specific business practice provisions of the Exchange Act and FINRA.

### Monetary Policy and Governmental Intervention

As part of the response to the recent global financial crisis, the Federal Reserve and global central banks, including the European Central Bank, have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the Funds' investments. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

### Pay-to-Play Laws, Regulations and Policies.

In light of recent scandals involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser

from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Management Company, the general partners, or their respective employees or affiliates fail to comply with such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on the Funds by, for example, providing the basis for the withdrawal of the affected government plan investor.

#### Terrorist Activities

Terrorist activities, anti-terrorist efforts, armed conflicts involving the U.S. or its interests abroad and natural disasters may adversely affect the U.S., its financial markets and global economies and could prevent the Funds from meeting their investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect the U.S. and world financial markets and the Funds for the short or long-term in ways that cannot presently be predicted.

#### Litigation Risks

The Funds may be subject to a variety of litigation risks, particularly due to the likelihood that one or more Portfolio Companies will face financial or other difficulties during the term of the Funds. The Funds may also participate in Portfolio Company financings at implicit valuations lower than the valuations implicit in preceding rounds of financing. Legal disputes, involving any or all of the Funds, the general partners, their members or its affiliates, may arise from the Funds' activities and investments (or any other activities relating to the operation of the Funds or the general partners) and could have a significant adverse effect on the Funds.

#### Controlled Group Risks

Under ERISA, members of certain "controlled groups" of "trades or businesses" may be jointly and severally liable for contributions required under any member's tax-qualified defined benefit pension plan and under certain other benefit plans. Further, if any member's tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by the Funds in a particular Portfolio Company, the Funds may be considered to be a member of one or more Portfolio Company's "controlled group" for this purpose.

#### Tax Risks

There is no certainty that the structure of a Fund or of any investment will be tax-efficient to any particular Limited Partner. Additionally, there can be no assurance that a Fund will generate sufficient cash flows to its Limited Partners during a tax period in an amount that is adequate to pay for its Limited Partners' tax liabilities generated by the Fund in that period. Each prospective

Limited Partner is advised to consult its own tax counsel as to the specific U.S. federal income tax consequences of an investment in the Funds and as to applicable state, local, estate, foreign or other tax laws.

#### Conflicts of Interest

As described in the relevant items herein, River Associates and its affiliates may, in the ordinary course of business, encounter situations where its interests are conflicted or potentially conflicted with a Fund. In such circumstances, River Associates will exercise its best judgment to resolve such matters, subject to consultation with the Funds' advisory board, if applicable, in a manner that is fair and equitable to the Funds and their Limited Partners.

#### Other Activities of the Principals

The Principals will devote such time as is necessary to conduct the business affairs of the Funds in an appropriate manner. However, the Principals are not required to devote all their business time to the Funds' affairs and will be engaged in some activities unrelated to the Funds. In addition to the Funds, the Principals also may organize or manage one or more additional investment pools or advise individual accounts in the future. All such prospective clients are referred to collectively as the "Other Funds." In managing the Other Funds and in the ordinary course of their business, the Principals may engage in certain activities where their interests or the interests of their clients conflict with the interests of the Funds and/or the Limited Partners. Conflicts may also arise in allocating management time, services and other functions between the Funds and such Other Funds

#### Cybersecurity Risks

River Associates, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their Limited Partners, despite the efforts of River Associates and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their Limited Partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of River Associates, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of River Associates' systems to disclose sensitive information in order to gain access to River Associates' data or that of the Funds' Limited Partners. A successful penetration or circumvention of the security of River Associates' systems could result in the loss or theft of a Limited Partner's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, River Associates or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for the underlying Portfolio Companies in which the Funds invest, which could have

material adverse consequences for such Funds, and may cause the Funds' investments to lose value.

## **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 your evaluation of River Associates or the integrity of River Associates' management. River Associates and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

River Associates acts as the investment adviser for several private funds including;; River IV, LP; Hiawasse River, LP; River KO, LP; River V, LP; Tellico River, LP; River VI, LP, River VI Parallel, LP; and River VII, LP. For some of the funds, River Associates serves as the general partner as well as the investment adviser. For those funds in which River Associates does not also serve as the general partner, an affiliated entity acts as general partner as detailed in the table in Item 4. Further, some funds also include an affiliated SLP as detailed in Item 4. The SLP is entitled to receive Carried Interest as described in Item 6.

River Associates is not a broker-dealer, commodity pool operator, commodity trading adviser or futures commission merchant and none of its management persons are associated representatives of a broker-dealer or such other regulated entities.

A certain anchor investor has an ownership interest in River Associates Investments (TN), LLC, River Associates Investments, L.P. and certain SLPs. This investor invests alongside River IV, L.P. through a parallel fund, and alongside River V, L.P. through a second parallel fund and is a Limited Partner of River VI, L.P. and River VII, L.P. This investor has a substantial investment in each of these Funds, and its ownership of the Management Companies and the SLPs has the net effect of reducing the total Management Fees and Carried Interest paid by it as an investor in those Funds. This investor is not active in the day-to-day management of River Associates. A representative of this investor serves on the Advisory Boards of River VI, L.P. and River VII, L.P.

Certain of the Funds' Limited Partners, or affiliates thereof, are financial companies who at times seek to provide debt and other financing to the Funds' Portfolio Companies. Although River Associates believes that the selection of such financing proposals is predominantly motivated by its interest in creating value for the Fund, this circumstance may create a conflict of interest, as River Associates may have an incentive to recommend the financing proposal of such Limited Partner over other proposals if such recommendation is motivated by the belief that such Limited Partner will continue to invest in Funds managed by River Associates.

Certain related persons of River Associates are general partners to River Associates Partners, which is a pooled investment vehicle for certain of their personal investments in locally-managed



private funds-of-funds. None of the investments held by River Associates Partners are believed to be suitable investments for the Funds, and therefore River Associates does not view the investment activities of River Associates Partners to be in conflict with those of the Funds. River Associates Partners does not, and will not, participate in co-investment opportunities with the Funds. River Associates Partners is not advised by or considered a client of River Associates. Nor does River Associates provide continuous and regular supervisory or management services to River Associates Partners. River Associates performs limited accounting services for River Associates Partners, but does not receive any management fee, Carried Interest, or other compensation from River Associates Partners. River Associates Partners may receive, from time-to-time, the benefit of River Associates' negotiated rates with certain service providers, such as its tax advisers. The economic impact of these discounted services is believed to be immaterial.

Employees of River Associates and its affiliates may serve as officers, advisers, directors or in comparable management functions for Portfolio Companies in which the Funds invest, or provide other services to Portfolio Companies. The foregoing individuals may spend a substantial portion of their time with these Fund-related management activities. Employees may also from time-to-time serve on the board of directors of a Portfolio Company, or be given access for other reasons to confidential information relating to Portfolio Companies in which the Funds invest and/or be subject to legal or contractual restrictions on their ability to effect transactions for the Funds. As a result, the Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or equity securities of certain Portfolio Companies, or in certain cases with competitors of those Portfolio Companies, which prohibition may have an adverse effect on the Funds.

From time-to-time, in their roles as board members of Portfolio Companies, employees of River Associates may approve certain compensation, including Monitoring Fees, and other amounts payable to River Associates. While River Associates believes that its Principals' service on the boards of directors of the Portfolio Companies is generally in the best interests of the Funds, the Principals' ability to vote on compensation issues which indirectly impact the value of the Funds' investments could present a potential conflict of interest.

In limited circumstances, certain employees of River Associates may serve as directors or advisers to companies that are not Portfolio Companies or otherwise affiliated with the Funds, subject to approval by River Associates after confirming that such service does not create a material conflict of interest with the Funds.

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

River Associates has adopted a Code of Ethics (the "Code of Ethics") which sets forth appropriate ethical standards of business conduct required of its employees, including compliance with its fiduciary duty and applicable federal and state securities laws. River Associates' Code of Ethics

permits its partners, officers and employees to trade in securities, subject to review and reporting of such transactions according to the firm's policies.

River Associates and its affiliates may, in the ordinary conduct of their business or through the Principals' conduct of business outside of River Associates, become party to material non-public or otherwise confidential information about public companies which could, if disclosed, influence an investor's decision to transact in an investment security of that company. River Associates and its Principals and affiliates would be prohibited under applicable law from improperly disclosing such information or using such information for their own benefit or the benefit of a Fund or any other person. Likewise, River Associates, its Principals, and affiliates have no responsibility or liability to disclose such information to the Funds where such disclosure would violate its Code of Ethics or not comply with applicable law, even though such failure to disclose may have a materially negative consequence to the Funds.

Subject to River Associates' Code of Ethics, Principals of River Associates and its affiliates may own, directly or indirectly, subject to the terms and conditions of the applicable LPA, an interest in one or more of the Funds, including co-investments in Portfolio Companies alongside the Funds. Such investments are typically not subject to the Management Fees or Carried Interest allocation of the Funds. Although River Associates believes that such investments serve to align the interests of the Principals and the Funds, there may be a conflict of interest with the Funds to extent the Principals potentially benefit to a greater extent from such investments than do the Funds' other investors.

River Associates, its employees, and affiliates may conduct investment activities for their own accounts or the accounts of family members or others who do not invest in the Funds, and may provide investment advice or recommend securities that are different from the advice and securities recommended to the Funds, even if their investment objectives are the same. Likewise, such persons may invest in opportunities that were provided to, but rejected by, the Funds.

A copy of River Associates' Code of Ethics is available to River Associates' current or prospective Limited Partners or the Funds upon request to the Chief Compliance Officer at River Associates' principal office address, or by contacting us at (423) 755-0888.

## **Item 12 – Brokerage Practices**

### **Best Execution**

River Associates focuses on securities transactions of private companies, the purchases and sales of which are conducted through privately negotiated transactions. The services of one or more broker-dealers may be retained in connection with the purchase or sale of such private companies. When determining to retain such broker-dealers, River Associates considers a variety of factors, including but not limited to: expertise in the particular industry of the Portfolio Company, expertise with the type of anticipated transaction, reputation of the broker-dealer, the

broker-dealer's prior track record of selling Portfolio Companies of the Funds, current capacity of the broker-dealer to manage the transaction process, and fees and commissions charged. As a result of this subjective evaluation process, the broker-dealer ultimately selected may not be the lowest cost provider available for the transaction.

River Associates has never sold publicly traded securities for the Funds, nor is it anticipated that it ever will. As such, River Associates has not adopted formal policies to insure best execution for such transactions, but recognizes that it has an obligation to do so before engaging in such transactions.

#### **Soft Dollars**

River Associates does not obtain third-party research services or products with commissions ("Soft Dollars"). As is customary in the industry, broker-dealers may provide their own proprietary research to investment advisers, including River Associates, such as economic studies and forecasts, statistics and pricing or appraisal services, and access to research analysts and company executives. In the event that River Associates adopts a policy whereby it agrees to engage in soft dollar arrangements, it expects to only do so within the parameters of Section 28(e) of the Exchange Act.

#### **Trade Aggregation & Allocation**

Given the nature of River Associates' Funds, trade aggregation is generally not applicable. In very limited circumstances certain of the private Funds that River Associates manages will invest in common Portfolio Companies. In such circumstances, upon a disposition of the investment, all Funds' positions are typically transacted simultaneously, in their entirety, and for the same aggregate purchase price amount for all securities. As discussed in Item 6 in circumstances where River Associates is presented with an investment opportunity that is suitable for more than one Fund, it will make a good faith determination of a fair and equitable allocation of such investment opportunity between the Funds

### **Item 13 – Review of Accounts**

The Funds generally invest in long-term, illiquid securities of privately held companies. As such, River Associates' review process is typically not tailored to the near-term decision to dispose of securities. However, River Associates closely monitors the portfolio investments of the Funds through the Principals' participation on the boards of directors of the Portfolio Companies, monthly unaudited financial statements and related reports submitted by each Portfolio Company to River Associates, and annual audited financial statements of each Portfolio Company. River Associates' Principals are responsible for maintaining the Funds' investments in accordance with each Fund's objectives, which is reviewed periodically by the Chief Compliance Officer.

Each Investor in each Fund will receive, on an annual basis (i) audited financial statements of the applicable Fund, and (ii) annual tax information necessary for completion of such partner's US

federal income tax returns. In addition, on a quarterly basis, the Limited Partners in River V, L.P., River VI, L.P., River VII, L.P. and their related parallel funds will receive unaudited financial statements of the applicable Fund and other information about the Portfolio Companies in which each applicable Fund is invested.

All of the Funds' investments typically do not consist of readily marketable securities. The general partners must therefore determine the valuation of all of the Funds' held investments in accordance with its internal valuation policy, which they believe to be consistent with Accounting Standards Codification (ASC) 820 guidelines. Because the valuation policy requires the use of estimates and assumptions, there can be no assurance that the general partners will have all information necessary to determine the value of such investments in a manner that represents the actual value that would be realized by the Funds on the disposition of such investments. River Associates may have a conflict of interest to the extent that such valuations are perceived to influence a current or prospective Limited Partner's decision to participate in a subsequent Fund. For the Funds that currently own investments in Portfolio Companies, the respective advisory board will review such quarterly valuations before publication. Likewise, such valuations are reviewed annually by the Funds' auditors.

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

### **Economic Benefits Received from Third Parties**

Portfolio Companies of the Funds generally compensate the relevant Management Company for performing certain management and advisory services through the acquisition, ownership, disposition, and in certain cases post-closing periods of the Funds' investment ("Monitoring Fees"). In certain cases the Monitoring Fees paid by Portfolio Companies to the Management Company of a specific Fund will partially offset the Management Fee payable by that Fund to that Management Company, as specified in the applicable LPA and further described in Section 5.

### **Third Party Compensation for Client Referrals**

From time-to-time, River Associates and related entities may enter into cash compensation arrangements with unaffiliated placement agents or other third parties for introducing potential Limited Partners to the Funds. Any sales charge associated therewith is typically payable by River Associates and/or its related entities, either directly or through an offset of the advisory fee payable by the applicable Fund to River Associates, subject to the terms of the applicable LPA.

## **Item 15 – Custody**

For purposes of Rule 206(4)-2 under the Adviser's Act, River Associates is deemed to have custody of the assets of the Funds as a result of its, or its affiliates, authority over the Funds. All of the Funds' assets, except for certain uncertificated securities purchased in private transactions, are held with a qualified custodian, which generally includes a bank or broker-dealer. Limited Partners will not receive statements from the custodian. Pursuant to Rule 206(4)-2, River Associates has retained an independent accounting firm that is both registered with, and subject

to regular inspection by, the Public Company Accounting Oversight Board to conduct an annual audit of the Funds. The applicable audited financial statements are distributed to each Limited Partner in the Funds (or their independent representative) within 120 days of the fiscal year end of the Funds. River Associates generally maintains custody of the Funds' assets held in the applicable Fund's name with the following qualified custodians:

- First Tennessee Bank; Chattanooga, Tennessee
- Regions Bank; Chattanooga, Tennessee

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

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Management Agreement, if any, between such Fund and River Associates and/or their organizational documents. Investment restrictions for the Funds, if any, are generally established in their organizational documents.

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

River Associates has adopted policies and procedures which have been designed to ensure that it complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act and that reflect its commitment to vote all securities for which it exercises voting authority in a manner consistent with the best interests of the Funds.

Given the nature of the Funds' investments, it is unlikely that River Associates will ever receive proxies with respect to securities held on behalf of the Funds. In such cases, however, River Associates' general policy is to vote such proxies in a manner that: (i) it determines is in the best interests of the relevant Fund(s), and (ii) is consistent with how the Principals voted in their roles as directors to the Portfolio Company, if applicable.

Limited Partners may obtain a copy of River Associates' Proxy Voting Policies and Procedures and information on how proxies were voted in connection with a particular Fund, by contacting River Associates' Chief Compliance Officer at (423) 755-0888.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about River Associates' financial condition under certain conditions. River Associates has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds, and has not been the subject of a bankruptcy proceeding. River Associates does not currently manage a Fund with an ongoing Management Fee obligation that requires a payment of such fees more than six months in advance.

