

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

**EDGEWATER SERVICES, LLC**

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**March 29, 2019**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Edgewater Services, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (312) 649-5666. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

The Management Company filed its most recent update to Form ADV Part 2A on March 31, 2018. This annual amendment updates the description of certain business practices of the Management Company and its affiliates and Edgewater's (as defined below) assets under management as of December 31, 2018.

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## ADVISORY BUSINESS

The Management Company, a Delaware limited liability company and a registered investment adviser, provides investment advisory services through its affiliated General Partners (as defined below) to private equity funds, co-investment vehicles and certain other investment vehicles established for separately managed account arrangements<sup>1</sup> (collectively referred to throughout this Brochure as the “**Partnerships**” or the “**Funds**”), focusing on equity and buyout investments in high-quality, lower middle market companies. The Management Company and the General Partners are part of a group of affiliated entities collectively referred to herein as “**Edgewater**.”

Edgewater is a private equity firm based in Chicago, Illinois founded by James A. Gordon. In addition to Mr. Gordon, the other principals of Edgewater include: Gregory Jones, Partner; David Tolmie, Partner; Jeffrey Frient, Partner; Brian Peiser, Partner; Gerald Saltarelli, Partner; Stephen Natali, Partner; and Scott Meadow, Associate Partner (collectively, the “**Principals**”). A majority of the Principals have been part of Edgewater since 2001. In their roles at Edgewater, the Principals are responsible for the sourcing and selection of investment opportunities for Edgewater’s private equity funds.

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

- Edgewater Growth Capital Management, LLC (“**GP I**”)
- Edgewater Growth Capital Management II, L.P. (“**GP II**”)
- Edgewater Growth Capital Management III, L.P. (“**GP III**”)
- Edgewater Growth Capital Management IV, L.P. (“**GP IV**”)
- EGCM SMA, L.P. (“**SMA GP**” and, collectively with GP I, GP II, GP III and GP IV, the “**General Partners**”).

Each General Partner is subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Management Company.

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

- Edgewater Growth Capital Partners, L.P.

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<sup>1</sup> Although industry conventions refer to such arrangements as “separately managed accounts,” the investment vehicles established by the Management Company for separately managed account arrangements on behalf of certain investors generally are unlike the single-investor managed accounts requested to be disclosed in Form ADV Part 1.

- Edgewater Growth Capital Partners II, L.P.
- Edgewater Growth Capital Partners III, L.P.
- Edgewater Growth Capital Partners III Co-Invest Fund, L.P.
- Edgewater Growth Capital Partners IV, L.P.
- Edgewater Growth Capital Partners IV-A, L.P.
- EGCP Investment Partners, L.P.
- EGCP Investment Partners II, L.P.
- EGCP Investment Partners III, L.P.
- EGCP Investment Partners V, L.P.
- EGCP Investment Partners V-A, L.P.
- EGCP Investments, L.P.
- EGCP Investments-B, L.P.
- EGCP Investments I, L.P.
- EGCP IV-A, L.P.
- EGCP Investment Opportunities, L.P.

The General Partners each serve as general partner to one or more Partnerships and generally have the authority to make the investment decisions for the Partnerships to which they provide advisory services. For certain Private Investment Funds, the Advisers may negotiate the level of investment discretion with the client at the outset of the advisory relationship, which gives investors an approval right over each investment presented to it by the Advisers. The Management Company provides the day-to-day advisory services for the Partnerships.

The Partnerships and any other Private Investment Funds that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of a General Partner are expected to invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” The Advisers’ investment advisory services to the Partnerships consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, the Principals or other personnel of the Advisers or their affiliates generally serve on a portfolio company’s board of directors or otherwise act to influence control over management of portfolio companies held by the Partnerships.

The Advisers' advisory services to the Private Investment Funds are further described in their respective private placement memoranda and limited partnership agreements (each, a "**Partnership Agreement**"), and are also generally described below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." Investors in the Private Investment Funds generally participate in the overall investment program for the applicable Partnership, but in certain Funds may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon reasons and certain Private Investment Fund arrangements may give investors approval rights over investments or otherwise provide restrictions on the Advisers' discretion. The Funds may enter into "side letter" arrangements or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing a Partnership Agreement with respect to such investors, including provisions relating to the Management Fee (as defined below) and distributions.

As of December 31, 2018, Edgewater managed \$2,206,588,437 in client assets on a discretionary basis. Each General Partner is directly or indirectly owned by Edgewater HoldCo LLC ("**Edgewater HoldCo**"), James A. Gordon and certain other Principals of Edgewater. Edgewater HoldCo is owned by Lazard Group LLC (together with its affiliates other than Edgewater, "**Lazard**"), James A. Gordon and the other Principals of Edgewater. The Management Company, which provides payment and related services, is principally owned by Lazard Group LLC and is administered by Edgewater HoldCo and James A. Gordon. Lazard Group LLC is ultimately controlled by Lazard Ltd, a publicly traded company.

## **FEES AND COMPENSATION**

The following is a general description of fees, compensation and expenses of the Partnerships. Differences exist from Partnership to Partnership, and certain Partnerships may not charge certain fees, compensation or expenses that other Partnerships charge. The Partnership Agreements describe the applicable fees, compensation and expenses of the respective Partnerships in greater detail.

In general, the General Partners receive a Management Fee and a carried interest in connection with advisory services. The General Partners or other Edgewater entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies owned by the Partnerships and a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable General Partner, as described in the respective Partnership Agreements. Investors in the Partnerships also bear certain Partnership expenses.

### **Management Fee**

Generally, a Partnership, during its investment period, will pay the applicable General Partner a management fee (the "**Management Fee**") calculated as a fixed percentage on an annual basis of aggregate Partnership investor capital commitments ("**Commitments**") and as described in the applicable Partnership Agreement. Payment of the Management Fee will be made quarterly or semi-annually, typically in advance, and will be deducted from the Partnership's assets. A portion of the Management Fee is ultimately received by the Management Company. Each Partnership typically has multiple closings in which an investor can participate. Generally,

investors participating in a closing after the initial closing of a Partnership bear the Management Fee from the date of the initial closing of such Partnership. The Management Fee may be reduced upon the expiration of the investment period or at an earlier date upon the occurrence of certain other events as described in the applicable Partnership Agreement. The Management Fee will be payable until all portfolio investments are distributed or until the General Partner's relationship with the applicable Partnership is terminated for other reasons (as described in the relevant Partnership Agreement). Installments of the Management Fee payable for any period other than a full management fee determination period are adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee is reduced by all or a portion of the directors' fees, transaction fees, breakup fees and certain other fees paid by portfolio companies to a General Partner, the Management Company or certain of their affiliates (such fees, "**Supplemental Fees**"). To the extent that such an offset credit would reduce the Management Fee for a given Management Fee determination period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess remains unapplied upon dissolution of a Partnership, each partner of such Partnership will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Private Investment Fund co-invests alongside the Partnership in any portfolio company investment, any Supplemental Fees typically will be allocated *pro rata* among the Partnership and such other Private Investment Fund in proportion to the cost of the investment in the portfolio company borne by each.

As further described below, certain third-party operating personnel (including members of the Management Company Executive Advisory Board) who provide services with respect to portfolio companies ("**Operating Advisors**") generally receive compensation and other amounts described herein from the Partnerships and/or portfolio companies (including as directors' fees), but no such amounts will result in additional offsets to the Management Fee. In certain cases, compensation from portfolio companies or the Partnerships may reduce the amount otherwise payable by the Management Company to the Operating Advisors.

As permitted under the Partnership Agreement for certain Partnerships, the respective General Partner may waive a portion of the Management Fee in exchange for a reduction in the General Partner's capital contribution obligation and/or a corresponding interest in Partnership profits. The limited partners of the Partnership may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver as described above. Waived Management Fees may delay the Management Fee offsets described above and as further described in the applicable Partnership Agreements.

### **Carried Interest**

The General Partner of each Partnership generally will be entitled to receive a carried interest with respect to such Partnership equal to a fixed percentage of all realized profits (in certain cases subject to a specified preferred return with a related General Partner catch-up provision), as more fully described in the applicable Partnership Agreements. The carried interest distributed to the General Partner is generally subject to a potential giveback at the end of the life of the

Partnership if the General Partner has received excess cumulative distributions, as more fully described in the applicable Partnership Agreements.

## Other Information

Each Adviser is permitted to exempt certain investors in the Partnership(s) they advise from payment of all or a portion of Management Fees and/or carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Edgewater and/or its affiliates or through other Partnerships which co-invest with a Partnership. For example, where an Edgewater professional (or an affiliated entity thereof) invests in a Partnership, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Partnership. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

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

In addition to the Management Fee and carried interest payable to the General Partner, each Partnership bears certain expenses. As set forth more fully in the applicable Partnership Agreement, a Partnership bears all costs and expenses related to the Partnership's activities, investments and business that are not reimbursed by a portfolio company, including a broad range of items such as organizational expenses up to the expense cap specified in the Partnership Agreement in the case of certain of the Partnerships, legal, auditing, travel, consulting (including consulting and retainer fees paid to consultants performing investment initiatives and other similar consultants), deal sourcing and/or broker (including independent business brokers whether exclusive or not) fees and commissions, financing, accounting and custodian fees and expenses; expenses associated with the Partnership's financial statements, tax returns and Schedule K-1s or any other administrative, regulatory or other Partnership-related reporting or filing obligations; out-of-pocket expenses incurred in connection with transactions not consummated (such expenses hereinafter referred to as "**Broken Deal Expenses**"); expenses of any advisory board of limited partners and meetings of the limited partners; insurance (including directors and officers, errors and omissions liability and other insurance); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, indemnification, judgments and settlements, if any); any taxes, fees or other governmental charges levied against the Partnership; and compensation paid to Operating Advisors. The Partnerships also bear expenses indirectly from the payment by portfolio companies of similar expenses, including Supplemental Fees. Excluded from Partnership expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses



specified in the Partnership Agreement. The Partnerships, similar to other private equity funds, likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth below in “Brokerage Practices.”

In some cases, a General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Partnerships. If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Partnerships. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, the full amount of any Broken Deal Expenses relating to any such unconsummated transaction could be borne by the Partnership(s), and not by any prospective co-investors (including any co-invest vehicle), that were to have participated in such proposed transaction.

The Advisers and/or their affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Partnerships, on the one hand, and the Advisers and/or their affiliates, on the other hand.

### **Operating Advisors**

Additionally, it is the Management Company’s practice to retain certain third-party Operating Advisors to provide services to (or with respect to) one or more Partnerships or certain current or prospective portfolio companies in which one or more Partnerships invest. Such Operating Advisors generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating Advisors also generally will be reimbursed for certain travel and other costs in connection with their services, and no such amounts will offset the Management Fee. The use of Operating Advisors subjects the Advisers to conflicts of interest, as discussed under “Methods of Analysis, Investment Strategies and Risk of Loss — Potential Conflicts of Interest Relating to the Advisers,” below.

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

As described above under “Fees and Compensation,” the General Partners receive a carried interest allocation on certain realized profits in the Partnerships. Currently, the Advisers do not advise Private Investment Funds not subject to a carried interest, although the General Partners may waive carried interest with respect to certain limited partners in a Partnership, including for members of the Management Company Executive Advisory Board. The existence of performance-based compensation has the potential to create an incentive for a General Partner to make more speculative investments than it would otherwise make in the absence of such arrangement, although the Advisers generally consider performance-based compensation to better align the General Partners’ interests with those of investors in the Partnerships. See “Methods of Analysis,

Investment Strategies and Risk of Loss — Potential Conflicts of Interest Relating to the Advisers,” below, for further discussion.

## **TYPES OF CLIENTS**

The Advisers provide investment advice to the Partnerships. The Partnerships are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended.

The investors participating in the Partnerships may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, Principals or other employees of the Advisers and their affiliates and members of their families, Operating Advisors or certain service providers retained by the Advisers.

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

Typically, each Partnership has a minimum investment amount of \$5 million for third-party investors and Partnership interests are offered and sold solely to investors meeting applicable qualifications. Such minimum investment amount may be waived by the General Partner.

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

### **General**

The principal investment strategy of the Advisers is to seek to achieve long-term capital appreciation for the Partnerships, primarily by acquiring equity and equity-related securities and debt in private growth-oriented companies. The Advisers generally target buyout and growth equity and equity-related investments primarily in lower middle market companies with revenues generally ranging from \$50 to \$200 million and EBITDA generally ranging from \$10 to \$30 million. Investments are predominantly in non-public companies, although investments in public companies are permitted. *There can be no assurance that the Advisers will achieve the investment objectives of any of the Partnerships, and a loss of investment is possible.*

### **Investment and Operating Strategy**

The Advisers generally seek to provide returns to investors by (i) using research and contacts to identify investments that the Advisers believe are attractive, (ii) performing analysis and due diligence to select and structure investments and (iii) providing significant resources to portfolio companies.

*Preliminary Review.* Upon the receipt of information regarding a new investment opportunity, a deal team is formed that is typically comprised of the Advisers' investment professionals with both operating and financial experience. The deal team seeks to assess the strengths and weaknesses of the business, including its operations and company management, the current state and outlook for the industry and the particular deal dynamics. The Advisers believe that extensive and objective due diligence is a cornerstone of successful investing. Once the deal team has determined that the transaction represents an attractive opportunity for a Fund, the opportunity typically is presented to all of the investment professionals for their preliminary review. These reviews are an occasion to gather the investment professionals' input on the investment thesis, industry activity, informational resources and ways to create value post-closing.

*Structure Investment.* The deal team works to structure the investment in a manner that it believes will provide an attractive risk/return profile and promote the growth prospects and opportunities of the company. The Advisers strive to use structures designed to minimize downside risk, such as liquidation preferences, participation features and dividends. The Advisers have developed a set of protective covenants and control provisions that are designed to provide certain governance, control and liquidity rights, and the Advisers often seek to implement these covenants and provisions as appropriate.

*Due Diligence and Approval.* Once a letter of intent with exclusivity has been signed and the investment committee has given preliminary approval to pursue the opportunity, the deal team executes the due diligence process. The purpose of this process is to gain a thorough understanding of the operations of the target company, review and quantify opportunities and evaluate potential risks that may threaten the investment in the future. The Advisers typically engage leading professional service providers across a broad range of disciplines and industries to assess business and industry conditions, accuracy of financial statements, quality of revenues and earnings, reasonableness of projections, competition, product and service efficiencies and customer satisfaction, and work closely with due diligence providers throughout their engagement. Projected operating plans are reviewed with management and downside scenarios are developed and analyzed. At this time, the Advisers also typically review specific opportunities for the Advisers to add value through additional relationships including candidates for chairman or lead director. Plans for acquisitions and eventual exits are explored and conversations with potential targets or exit opportunities are often underway during due diligence.

In addition to company and market specific matters, the Advisers' deal team spends time analyzing the strengths and weaknesses of the management team. This review may include management reference calls, background checks and multiple interviews with key management team members. This management team review allows the Advisers not only to assess current management, but begin to plan for the necessary near-term changes or additions to the current team prior to closing the transaction.

The deal team analyzes the findings of these due diligence procedures both during and at the end of each engagement and incorporates adjustments or protections into the transaction where appropriate to ensure the Advisers' risk/return profile of the investment remains intact. At the end of the due diligence process, the deal team leads the Advisers' investment team through a review of the due diligence findings to prepare for the funding of the transaction. Prior to this review, the Advisers' deal team will assemble and circulate a final approval memorandum that outlines the

business, risks, financial analysis and investment opportunity. The funding review is also typically accompanied by a presentation to the Advisers by the target company's management. Each new investment receives unanimous consent of the investment committee for approval and subsequent funding of the transaction.

In connection with origination, monitoring or disposition activities, the Advisers may use a broad range of deal sourcers or brokers, consultants, including, without limitation, Operating Advisors, or other parties for assistance at the expense of the Partnerships. Such deal sourcers or brokers, consultants or others may have other business dealings, affiliations or arrangements with Lazard, Edgewater or its Principals. See "Fees and Compensation — Other Information," above.

## **Risks of Investment**

A Partnership and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Partnership are detailed in each Partnership's private placement memorandum. Accordingly, the summary below is qualified in its entirety by the risks set forth in each Partnership's private placement memorandum. Please consult each Partnership's private placement memorandum for a more detailed description of the risks involved with an investment in such Partnership. *There can be no assurance that the Advisers will achieve the investment objectives of any of the Partnerships, and a loss of investment is possible.* In general, the material risks with respect to an investment in each Partnership include, but are not limited to:

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

2. *Future and Past Performance.* The performance of the Advisers' prior investments is not necessarily indicative of the Partnership's future results. While the General Partner intends for the Partnership to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that the targeted internal rate of return will be achieved. On any given investment, loss of all or any portion of principal is possible. There can be no assurance that any Partner will receive any distribution from the Partnership. Accordingly, an investment in the Partnership should only be considered by persons who can afford the loss of their entire investment.

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

4. *Concentration of Investments.* The Partnership will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Partnership's investment portfolio could become highly concentrated, and the performance of one or a few holdings or of one or a few particular industries may substantially affect its aggregate return. Furthermore, to the extent that the capital

raised is less than the targeted amount, the Partnership may invest in fewer portfolio companies and thus be less diversified.

Each active Partnership generally is restricted from directly investing more than 15% of the Partnership's aggregate Commitments (measured as of the date any such investment is to be made) in any one company. Such restriction may be waived upon approval by the advisory board comprised of the Partnership's limited partners, as described in the applicable Partnership Agreement.

5. *Lack of Sufficient Investment Opportunities.* It is possible that the Partnership will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to pay management fees during the investment period based on the entire amount of their Commitments.

6. *Dynamic Investment Strategy.* While the General Partners generally intend to seek attractive returns for the Partnerships primarily through making growth equity and buyout investments, the General Partners may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partners may pursue investments outside of the industries and sectors in which the Principals have previously made investments. The General Partners may also pursue investments in Rule 144A securities, investment companies and other pooled investment vehicles, platform transactions, joint ventures and other similar investments.

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

8. *Leveraged Investments.* The Partnership may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit rating agencies. Leverage generally magnifies both the Partnership's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Partnership that may not be covered by distributions made to the Partnership or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The

leveraged capital structure of portfolio companies will increase the exposure of the Partnership's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Partnership's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Partnership may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Partnership. Furthermore, should the credit markets be limited or costly at the time the Partnership determines that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Partnership will invest generally will not be rated by a credit rating agency. The Partnership may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that the Partnership would be compensated for providing such guaranty or exposure to such liability. The use of leverage by the Partnership also will result in interest expense and other costs to the Partnership that may not be covered by distributions made to the Partnership or appreciation of its investments. The Partnership may incur leverage on a joint and several basis with one or more other Partnerships and entities managed by Edgewater or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Partnership incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Partnership's investors and such investors' contributions may be required to be made directly to the lenders instead of the Partnership.

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

10. *Reliance on Portfolio Company Management.* Although the General Partner will monitor the performance of each Partnership investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Partnership generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management, or any successor, of such companies will be able or willing to successfully operate a company in accordance with the Partnership's objectives. An investment by a third party in a portfolio company involves risks, including the possibility that a third-party investor may have economic or business interests or goals that are inconsistent with those of the Partnership or may be in a position to take (or block) actions in a manner contrary to the Partnership's investment objectives.

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

12. Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Partnership may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Partnership will make follow-on investments or that the Partnership will have sufficient funds to make all or any of such investments. Any decision by the Partnership not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the Partnership to increase its participation in a successful portfolio company or the dilution of the Partnership's ownership in a portfolio company if a third party invests in such portfolio company.

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

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) political or social instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Each active Partnership generally is restricted from directly investing in any company organized or headquartered outside of the United States or Canada if, after giving effect to such investment, the aggregate cost of all such companies held by the applicable Partnership would exceed 20% of the Partnership's aggregate Commitments. Such restriction may be waived upon approval by an advisory board of limited partners, as described in the applicable Partnership Agreement.

14. Portfolio Company Directors. The Partnership will often obtain the right to appoint a representative to the board of directors (or similar governing body) of the companies in which it

invests. Such representatives will be required to make decisions that consider the best interests of the respective portfolio companies. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interest of such portfolio company (or a third party, such as a creditor) may not be in the best interests of the Partnership, and vice versa. Additionally, serving on the board of directors (or similar governing body) of a portfolio company exposes the Partnership's representatives, and ultimately the Partnership, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Partnership's investment activities.

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

16. *Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Partnership and may affect the Partnership's ability to make investments. Any material change or instability in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, may increase the risks inherent in the Partnership's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Partnership's performance can be affected by deterioration in public markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Partnership's performance. The value of publicly traded securities may be volatile and such securities may be difficult to sell as a block, even following a realization through listing.

17. *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Partnership to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the subprime and global debt markets and a rise



in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to offer only committed financing for these investments on unattractive terms. The Partnership's ability to generate attractive investment returns may be adversely affected to the extent the Partnership is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Partnership to realize its investments at favorable times or for favorable prices.

18. *Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Partnership's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Partnership may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Partnership to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Partnership to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Partnership or a portfolio company to hedge its exposures becomes limited by such requirements.

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

20. *Lack of Unilateral Control.* Even if a Partnership is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Partnership invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Partnerships or their limited partners. Such third parties may be in a position to take action contrary to a Partnership's business, tax or other interests, and such Partnership may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

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

22. *Valuation of Investments.* Generally, the General Partner will determine the value of all the Partnership's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of the Partnership's investments because, among other things, the securities of portfolio companies held by the Partnership generally will be illiquid and not quoted on any exchange. There can be no assurance that the General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of the General Partner with respect to an investment will represent the value realized by the Partnership on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by the General Partner may cause it to ineffectively manage the Partnership's investment portfolios and risks, and may also affect the diversification and management of the Partnership's portfolio of investments.

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

or other unauthorized access is directed at Edgewater or one of its service providers holding its financial or investor data, Edgewater, its affiliates or the Partnership may also be at risk of loss.

### **Potential Conflicts of Interest Relating to the Advisers**

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

During the investment period of a given Partnership, appropriate investment opportunities will be pursued by the Advisers through such Partnership, subject to certain limited exceptions. At any given time, the Advisers typically will manage several other Private Investment Funds in addition to a given Partnership, which may include investments similar to those in which such Partnership will be investing or have investments in portfolio companies in the form of securities or other investments that are not part of the principal investment strategy of such Partnership, and may direct certain relevant investment opportunities to those Private Investment Funds and with respect to such investments. Pursuant to their respective governing documents, investors in certain Private Investment Funds may elect to forego any proposed investment opportunity, and such investment opportunity may ultimately be directed to and invested in by other Private Investment Funds managed by the Advisers and which are then investing capital. The Principals and investment staff will continue to manage and monitor the investments of such Private Investment Funds until their realization. The portfolio company investments of such other Private Investment Funds may potentially compete with companies acquired by a given Partnership. The significant investment of the Principals in any given Partnership, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the limited partners in such Partnership, although the Principals have economic interests in such other Private Investment Funds and investments as well and receive Management Fees and carried interests relating to such interests. Following the investment period of a given Partnership, the Principals may focus their investment activities on other opportunities and areas unrelated to such Partnership's investments.

From time to time, the Advisers may be presented with investment opportunities that would be suitable not only for a given Partnership, but also for other Private Investment Funds. In determining which investment vehicles should participate in such investment opportunities, the Advisers are subject to conflicts of interest among Private Investment Funds. The Advisers attempt to allocate investment opportunities among a Partnership and other Private Investment Funds in what they believe to be a fair and equitable manner. As noted above, investors in certain Private Investment Funds may elect to forego investments, which may result in other Private Investment Funds receiving a greater allocation of such investments. Where necessary, the Advisers generally

consult with and/or seek consent to conflicts from an advisory board consisting of limited partners of any applicable Partnership and any other Private Investment Fund.

The Advisers must first determine which Private Investment Fund(s) will, or are required to, participate in the relevant investment opportunity (however, as noted above, investors in certain Private Investment Funds may elect to forego any proposed investment opportunity). The Advisers generally assess whether an investment opportunity is appropriate for a particular Private Investment Fund based on such Private Investment Fund's Partnership Agreement (and the conflicts provisions set forth therein), as well as factors including, but not limited to: investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk. For example, a newly organized Partnership generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Partnership may invest together with other Partnerships advised by an affiliated adviser of the Advisers in the manner set forth in the relevant Partnership Agreements and the Advisers' Investment Allocation Policy. The Advisers will determine the allocation of investment opportunities among Partnerships in a manner that they believe is fair and equitable consistent with the Advisers' obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation of Private Investment Funds, the Advisers will determine if the amount of an investment opportunity in which one or more Private Investment Funds will invest exceeds the amount that would be appropriate for such Private Investment Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Private Investment Funds' Partnership Agreements, side letter arrangements and the Advisers' procedures regarding investment allocations and co-investments. The Advisers' procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory and/or securities law considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); and other appropriate factors.

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

In certain cases, Edgewater will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Partnership. In such cases, Edgewater will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Partnership interests should be offered to one or more existing Partnership investors.

Conflicts may arise when a Private Investment Fund makes investments in conjunction with an investment being made by another Private Investment Fund, or if it were to invest in the securities of a company in which another Private Investment Fund has already made an investment. For example, a Private Investment Fund may not invest in a particular investment through the same investment vehicles, which may result in differences in price, terms, leverage and associated costs. Further, although the Advisers generally expect that the relevant Private Investment Fund and the other Private Investment Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms, there may be situations where this is not the case. There can be no assurance that the return on one Private Investment Fund's investments will be the same as the returns obtained by other Private Investment Funds participating in a given transaction. Given the nature of the relevant conflicts, there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Private Investment Funds. In that regard, actions may be taken for one or more Private Investment Funds that adversely affect other Private Investment Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements, the Advisers will allocate fees and expenses in a manner that they believe is fair and equitable to their clients under the circumstances and considering such factors as they deem relevant, but in their sole discretion. In exercising such discretion, the Advisers may be faced with a variety of potential conflicts of interest.

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

As a result of the Partnerships' controlling interests in portfolio companies, the Advisers and/or their affiliates typically have the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Advisers and/or their affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Partnership, subject to any applicable management fee offset provisions in the relevant Partnership Agreement.

The Advisers generally exercise their discretion to recommend to a Partnership or to a portfolio company thereof that it contract for services with (i) an Adviser or a related person of the Advisers (which may include a portfolio company of such Partnership), (ii) an entity with which the Advisers or their affiliates or current or former members of their personnel has a relationship

or from which the Advisers or their affiliates or their personnel otherwise derive financial or other benefits or (iii) certain limited partners or their affiliates. For example, the Advisers may be presented with opportunities to receive financing and/or other services in connection with a Partnership's investments from certain limited partners or their affiliates that are engaged in lending or related businesses. This discretion subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with their operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, the Advisers may have an incentive to recommend the related or other person (including a limited partner) because of their financial or other business interest. There is a possibility that the Advisers, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnerships or Advisers), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Advisers have a relationship or receive financial or other benefits from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Subject to any restrictions in the applicable Partnership Agreement, the Advisers, their affiliates and equityholders, and officers, principals and employees of the Advisers and their affiliates may buy or sell securities or other instruments that the Advisers have recommended to a Partnership to the extent such Partnership elected not to acquire such securities. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Partnership. Employees and related persons of the Advisers have, and are expected to continue to have, capital investments alongside certain Partnerships, or in prospective portfolio companies, directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and, therefore, may have additional conflicting interests in connection with these investments.

Certain limitations generally apply with respect to an Adviser's ability to make investments on behalf of a newly established Private Investment Fund, including, in some cases, a requirement that the Adviser will not commence the operation of a new Private Investment Fund with objectives substantially similar to those of an existing Private Investment Fund until the end of such existing Private Investment Fund's investment period or until such other time as described in the applicable Partnership Agreement.

Because the General Partners' carried interest is based on a percentage of realized profits, it may create an incentive for the Advisers to cause the Partnerships to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Since the General Partners are permitted to retain certain Supplemental Fees (as described above under "Fees and Compensation") in connection with Partnership investments, which may be significant, the Advisers could have a conflict of interest in connection with approving transactions and setting such compensation (including through the right to appoint portfolio company board members, or to influence their appointment). The Advisers manage such conflicts by fully or partially offsetting the Management Fee with such Supplemental Fees.

The Advisers and/or their affiliates may enter into side letter arrangements with certain investors in a Partnership providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures, information rights, co-investment rights and liquidity or transfer rights.

Portfolio companies (and, to a lesser extent, the Partnerships) may pay certain fees to service providers (including Operating Advisors and consultants) introduced, arranged or retained by the Advisers and/or their affiliates that may regularly provide services to one or more portfolio companies, and such fees do not offset the Management Fees as described herein. Additionally, a portfolio company typically will reimburse the Advisers or such service providers for expenses (including, without limitation, travel expenses) incurred by the Adviser(s) or such service providers in connection with the performance of services for such portfolio company. The Advisers seek to reduce potential conflicts of interest resulting from such arrangements by structuring such arrangements in a manner that the Advisers believe will align such persons' interests with those of the limited partners. The Advisers seek to retain high quality, value-added service providers (including Operating Advisors) based on the relevant circumstances; however, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at a lower cost.

### **Potential Conflicts of Interest Relating to Relationship with Lazard**

Lazard is a subsidiary of Lazard Ltd, a publicly traded company. Lazard undertakes a wide range of financial advisory, asset management and other activities for a wide variety of clients, including institutions, companies and individuals, and for its own account. In particular, Lazard Middle Market LLC, an indirect subsidiary of Lazard Group LLC, specializes in providing advice on mergers and acquisitions, restructurings and financings to middle market businesses.

Notwithstanding the fact that the Advisers management team continues to manage the Partnerships, there may be situations in which Lazard has a duty or an interest that actually or potentially conflicts with interests of a Partnership and such Partnership's portfolio companies. Except as described below, conflicts with Lazard or its clients may not be resolved in such Partnership's interest and, as a result, certain investment opportunities may not be made available to the Partnership or the Partnership may be otherwise disadvantaged in some situations by its relationship with Lazard. The following discussion enumerates certain of these conflicts of interest.

Investment Opportunities. While Edgewater believes that the relationship with Lazard will result in enhanced investment opportunities for the Partnership, it is possible that certain opportunities will not be available to a Partnership as a result of such relationship. Lazard and its employees currently or may in the future manage, assist in the management of, have interests in or fiduciary responsibilities for other funds, with objectives that may overlap with the objectives of a Partnership, and it is possible that a particular investment opportunity would be suitable for both such Partnership and one or more of such other funds. The terms of these other funds may require Lazard or its affiliates to first offer certain types of investment opportunities to such other funds. In situations where the investment in question may be deemed to satisfy the investment objectives of multiple funds, there will be conflicts of interest among a Partnership, the applicable General Partner, its affiliates, existing and future affiliated funds managed by Lazard or its affiliates and/or

Lazard's clients regarding which of such entities will be given the opportunity to make such investment. Conflicts with respect to the allocation of potential investment opportunities will be considered and resolved on a case-by-case basis, subject to the principal agreements of such entities. Decisions as to the allocation of investment opportunities that come to the attention of Lazard or its affiliates present numerous conflicts of interest, which may not always be resolved in the manner that is most favorable to a Partnership's interests, even if such investments otherwise meet such Partnership's investment objectives. In addition, there can be no assurance that potentially suitable investment opportunities that come to the attention of Lazard or its affiliates will be made available to a Partnership or made known to the applicable General Partner.

Investments and Transactions Involving Lazard or its Clients. Under certain circumstances and subject to the requirements of the applicable governing documents and applicable law, including any consent requirements, a Partnership may invest in an entity or participate in a transaction in which Lazard or one of its clients or affiliates has already invested or is expected to participate. In connection with such investments, such Partnership, on the one hand, and Lazard or such third party, on the other hand, may have conflicting interests, particularly if the Partnership and the other party invest in different classes or types of securities of the same portfolio company.

The Advisers may also face conflicts of interest in connection with any purchase or sale transaction involving an investment by a Partnership, whether to or from Lazard, Lazard's clients or another investment fund affiliated with Lazard, and in connection with the consideration offered by, and the obligations of, Lazard, Lazard's clients or such other investment fund in such transactions.

Lazard's Advisory Activities. Clients of Lazard's advisory business may compete with a Partnership for investment opportunities meeting such Partnership's investment objectives. In addition, as part of its regular business, Lazard may be engaged to (i) advise the seller of a company, business or assets that would qualify as an investment opportunity for a Partnership, (ii) advise potential purchasers, sellers and other involved parties with respect to assets that may be suitable for investment by a Partnership or (iii) provide restructuring advisory services to special situation companies in which a Partnership is interested in investing. While the Advisers believe that the relationship with Lazard generally will result in enhanced investment opportunities for the Partnerships, it is possible that certain opportunities will not be available to the Partnerships as a result of such relationship or, if available, Lazard's interests or its obligations to its clients may diverge from the Partnerships' interests. In addition, Lazard may possess inside information concerning specific companies that could limit a Partnership's ability to buy or sell securities issued by such companies.

Lazard will be under no obligation to decline any engagements and will be under no obligation to make any investment opportunity available to any Partnership. Further, investment ideas generated within Lazard may be suitable for a Partnership and for a financial advisory client or another Lazard-managed fund, and may be directed to such client or other fund rather than to such Partnership.

Lazard has long-term relationships with a significant number of institutions and their senior management. In determining whether to invest in a particular transaction on behalf of a Partnership, the Advisers may consider those relationships, which may result in certain



transactions that a General Partner will not undertake on behalf of a Partnership in view of such relationships.

Lazard's Asset Management Business. In the course of its investment management and advisory activities, Lazard's asset management businesses may make investments in issuers or securities that may relate to, or be in conflict with, a Partnership's investments or interests. In addition, Lazard, for the accounts of its clients or its own account, may also take positions, give advice and provide recommendations contrary to those that may be taken by, given or provided to a Partnership and may hold interests potentially adverse to those of such Partnership even though the objective of such account may be the same as, or similar to, that of the Partnership. These activities could result in securities laws restrictions on transactions in such securities by the Partnership, affect the prices of the Partnership's investments or the ability of the Partnership to dispose of such investments and otherwise create conflicts of interest for the Partnership, which could have an adverse impact on the Partnership's performance.

Compensation for Services. Lazard may, directly or indirectly through one or more of its subsidiaries or affiliates, and subject to the requirements of the applicable governing documents and applicable law, including any consent requirements, enter into contracts on arms'-length terms to perform other financial, investment, advisory and consulting services for, and will in such cases receive customary compensation from, a Partnership's portfolio companies, the Partnership or other parties in connection with transactions related to the Partnership's investments or otherwise. Such compensation could include, without limitation, investment banking fees or fees in connection with restructurings and mergers and acquisitions. As with any other service provider, compensation for these services will not be shared with such Partnership or the limited partners.

Other Businesses. Lazard may provide services in the future beyond those currently provided, including commercial banking, brokerage, customer financing, asset-based financing, corporate finance and commercial finance services, among others, and engage in private equity investment activities, which may include managing or forming additional alternative investment funds that may compete with the Partnerships. In conducting the aforementioned activities, Lazard will be acting for its own account or the accounts of its clients and will have no obligation to act in the interest of the Partnerships. In addition, the foregoing activities could create conflicts of interest for a Partnership, which could have an adverse impact on the Partnership's performance.

Other Resources. While it is expected that Lazard's investment in the Partnerships and its meaningful participation in the distribution waterfalls of the Partnerships will give Lazard an interest in the success of the Partnership, Lazard individuals who are not investment professionals of the Advisers will be required to devote substantially all of their professional time to matters unrelated to the Partnerships and their investment activities and may at any given time be unavailable for Partnership-related matters. Furthermore, the Advisers will be under no obligation to consult with such individuals in connection with the activities of the Partnerships and there can be no assurance that Lazard will continue to sponsor any particular advisory or capital markets group or employ financial advisors or analysts in any particular industry focus area or that any individual currently employed in such a capacity will continue to remain employed by Lazard, or, in the event of the termination of such individual's employment, will be replaced by a similarly qualified individual to whom the Advisers may have access. Finally, the presence of legal,

regulatory and contractual restrictions (e.g., “information barriers”) may reduce the positive synergies, if any, resulting from Lazard’s interest in the success of the Partnerships.

### **DISCIPLINARY INFORMATION**

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

The Management Company is affiliated with other general partner entities subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. These advisers are GP I, GP II, GP III, GP IV and SMA GP. These entities operate as a single advisory business together with the Management Company and serve as general partners of the Partnerships and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Each General Partner is directly or indirectly owned by Edgewater HoldCo, James A. Gordon and certain other Principals of Edgewater. As described above under “Advisory Business,” Edgewater HoldCo is owned by Lazard, James A. Gordon and certain other Principals of Edgewater. The Management Company is principally owned by Lazard, which controls, among many other subsidiaries, Lazard Freres & Co. LLC, Lazard Middle Market LLC and Lazard Asset Management Securities LLC, which are SEC-registered broker dealers and FINRA members; Lazard Asset Management LLC, which is registered as an investment adviser with the SEC; and various other operating subsidiaries in the financial services industry around the world that are regulated by, among others, the Financial Conduct Authority in the UK, the Autorite de Contrôle Prudentiel et de Resolution and Autorite des Marches Financiers in France, the Japanese Ministry of Finance and the Financial Supervisory Agency, the Korean Financial Supervisory Commission, the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore, the Australian Securities & Investments Commission, the Dubai Financial Services Authority and German banking authorities. The potential conflicts of interest presented by the Management Company’s affiliation with Lazard and its operating subsidiaries are discussed above under “Methods of Analysis, Investment Strategies and Risk of Loss — Potential Conflicts of Interest Relating to Relationship with Lazard.”

Lazard’s representative on the Advisers’ Investment Committee is a registered representative, supervisory principal and financial and operations principal of Lazard Freres & Co. LLC. This arrangement may create a conflict of interest, as Private Investment Funds or their portfolio companies may utilize the services of Lazard Freres & Co. LLC, subject to any requirements of the applicable Partnership Agreement, including advisory board approval, as discussed above under “Methods of Analysis, Investment Strategies and Risk of Loss — Potential Conflicts of Interest Relating to Relationship with Lazard.”

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

The Advisers have adopted the Edgewater Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the

Advisers' Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers' personnel to report their personal securities transactions and to obtain approval from the Advisers' Chief Compliance Officer or his designee prior to most securities transactions. In addition, the Code requires such personnel to comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Matthew W. Norris, Edgewater's Chief Compliance Officer, at (312) 664-8621. Personal securities transactions by Edgewater employees are required to be conducted in a manner that prioritizes the Partnerships' interests in Partnership-eligible investments.

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

Principals and other employees of the Advisers and their affiliates may, directly or indirectly, own an interest in Private Investment Funds or certain co-investment vehicles. The Advisers believe that such interests do not create a conflict of interest and instead operate to align the interests of the Advisers' personnel with that of the Private Investment Funds. The Partnerships and other Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of the General Partner in the manner set forth in the applicable Partnership Agreement. The Advisers will determine the allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Advisers' fiduciary obligations and consistent with the applicable Private Investment Funds' underlying documents. However, certain separately managed account arrangements may give investors approval rights over investments or otherwise provide restrictions on the Advisers' discretion.

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

From time to time, the General Partners may borrow funds on behalf of the Partnerships and contribute such borrowed amounts to the Partnerships as a special capital contribution for investment, to be repaid at a later date. Interest in connection with such borrowing is borne by the Partnerships as a Partnership expense, consistent with the applicable Partnership Agreement (or other governing document) and the expense policy described above under "Fees and

Compensation.” In borrowing on behalf of the Partnerships, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Partnerships. The General Partners will effect such borrowings in a manner that they believe to be fair and equitable to the Partnerships and consistent with the General Partners’ obligations to the Partnerships and the applicable Partnership Agreement (or other governing document).

### **BROKERAGE PRACTICES**

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

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

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

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since Edgewater’s inception.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that an Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage

commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund is favored over any other Private Investment Fund. If such orders are not batched, it may have the effect of increasing brokerage commissions or other costs.

## **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest, and the Edgewater Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Partnerships generally will provide to their limited partners (i) GAAP-audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each limited partner's U.S. tax returns and (iv) descriptive investment information for each portfolio company periodically.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

As described above under "Fees and Compensation," the Advisers and/or their affiliates may receive certain Supplemental Fees from the Partnerships' portfolio companies. As described in the applicable Partnership Agreement, this compensation may, in certain circumstances, offset a portion of the Management Fees paid by the Partnerships. However, in other circumstances (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company or payments to Operating Advisors), these fees (or reimbursements) would be in addition to, and would not result in a reduction of, Management Fees. See "Fees and Compensation," above.

The Advisers and/or their affiliates, including Operating Advisors, may have the right to receive certain non-investment advisory fees and other compensation in connection with the Partnerships' investments and portfolio companies. The Advisers and/or their affiliates generally have discretion over whether to charge such fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such fees or other compensation. The receipt of such compensation may give rise to conflicts of interest between the Partnerships, on the one hand, and the Advisers and/or their affiliates, on the other hand.

Portfolio company-related fees have included amounts prepaid in anticipation of future services or otherwise accelerated in certain situations (*e.g.*, an initial public offering), which generally were offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement. Furthermore, a Partnership has, in most cases, only benefited with respect to its allocable portion of any such fee and not the portion of any fee allocable to another entity, including, if applicable, any co-investment vehicle.

The Advisers or their affiliates may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees payable to any such placement agents will be borne by the Advisers directly or indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including,

but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Partnership(s).

### **CUSTODY**

The Advisers maintain custody of the Partnerships' assets held in the Partnerships' names with the following qualified custodians:

- J.P. Morgan Private Bank, 500 Stanton Christiana Road, Newark, DE 19713
- Bank of New York Mellon, 240 Greenwich Street, New York, NY 10286
- Citizens Bank, N.A., 28 State Street, Boston, MA 02109

As applicable, Edgewater urges the investors in Private Investment Funds to carefully review any statements that they may receive from a qualified custodian and, where relevant, to compare them to the statements or information provided by Edgewater.

### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of each Partnership. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, except that the Partnership Agreement of a Partnership may impose certain restrictions on investing in certain types of securities, and in certain Private Investment Funds, the Advisers may negotiate the level of investment discretion with the client at the outset of the advisory relationship. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into side letter arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Partnership may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of each Partnership.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted the Edgewater Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for the Partnerships' portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Partnerships' investors, for example, through the Principals' beneficial ownership interests in the Partnerships and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory board of limited partners on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Edgewater personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting

guidelines followed by the Advisers when voting proxies on behalf of the Partnerships. Clients or investors that would like a copy of Edgewater's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies may contact Matthew W. Norris, Edgewater's Chief Compliance Officer, at (312) 664-8621, and it will be provided at no charge.

#### **FINANCIAL INFORMATION**

The Management Company does not require or solicit prepayment of Management Fees more than six months in advance and is not otherwise required to make any other disclosure under this item of the Brochure.