

**BROOKSIDE EQUITY PARTNERS LLC**

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This brochure provides information about the qualifications and business practices of Brookside Equity Partners LLC (“BEP”, the “Adviser”, or the firm). If you have any questions about the contents of this brochure, please contact BEP at (203) 595-4520 or email [ops@brooksideequity.com](mailto:ops@brooksideequity.com) or [brookside@fairviewinvest.com](mailto:brookside@fairviewinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Brookside Equity Partners LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. Additional information about Brookside Equity Partners LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

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This disclosure brochure, dated March 28, 2019, replaces the amendment filed on June 29, 2018. The following material changes were made since the last annual amendment, filed on March 29, 2018:

- Item 4 – Assets Under Management was updated to reflect the assets under management as of December 31, 2018.

This Item only includes (i) the specific material changes that were made to the brochure, (ii) a summary of such changes, and (iii) the date of BEP's last annual amendment. BEP will provide Clients with a summary of any material changes to this and subsequent brochures within 120 days of the close of BEP's fiscal year end, December 31. As necessary, BEP will provide ongoing disclosure regarding material changes made to the brochure.

Further, BEP will provide Clients with a new brochure, as needed, based on changes or new information, at any time, without charge. Currently, BEP's brochure may be requested by calling (203) 595-4520 or emailing [ops@brooksideequity.com](mailto:ops@brooksideequity.com).

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## **ITEM 4 – ADVISORY BUSINESS**

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### **4.A. Advisory Firm Description**

BEP was formed in May 2006 and began conducting business as an investment adviser in 2012. BEP is a limited liability company formed under the laws of the state of Delaware and its primary place of business is located in Stamford, Connecticut. The principal owners and managing directors of BEP are Donald L. Hawks III, Raymond F. Weldon, and Richard Dell'Aquila (the “Managing Partners”), who collectively own all of the outstanding membership units of BEP.

### **4.B. Types of Advisory Services**

BEP provides complete management, administrative operations and investment advisory services to several private pooled investment vehicles that primarily invest in private equity investment opportunities (each, a “Private Fund” or “Client”, and collectively, “Private Funds” or “Clients”). Additionally, BEP provides other, non-investment advisory services, such as consulting and investment monitoring services, to private pooled investment vehicles and other entities.

### **4.C. Client Investment Objectives/Restrictions**

Investments in the Private Funds are managed in accordance with the needs of the businesses in which BEP invests and the investment focus of such Private Funds and are not tailored to the individualized needs of any particular investor of the Private Funds (each, an “investor”). Therefore, investors should consider whether a given Private Fund meets their investment objectives and risk tolerance prior to investing. Information about the Private Funds can be found in the operating agreement for each Private Fund, which will be provided to qualified current and prospective investors only through BEP or another authorized party.

### **4.D. Wrap Fee Programs**

BEP does not participate in, nor is it a sponsor of, any wrap fee programs.

### **4.E. Assets Under Management as of 12/31/2018:**

As of December 31, 2018, BEP managed \$840,783,446 in assets on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

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### **Advisory Contracts and Fees**

#### **5.A. Adviser Compensation**

BEP's fees are described generally below and detailed in the operating agreements for the Private Funds and other related agreements with investors in the Private Funds and other parties.

Management Fees. With respect to most of the Private Funds, BEP develops an annual budget ("Budget"). The Budget considers the Adviser's management fees and other fee income (as described below) from portfolio companies of the Private Funds as budgeted revenue. Certain of the Private Funds have traditional fixed management fees (typically 0.50% per annum) that are calculated based on either committed capital or net invested capital (defined as capital contributions made to enable the applicable Private Fund to acquire investments less the cost basis of realized and written-off investments) and paid on a quarterly basis.

Initial Investment Fee. In certain Private Funds, non-Funding Members (as defined below)<sup>1</sup>, other than entities or individuals related to the Funding Members, are charged a one-time fee ("Initial Investment Fee"), calculated as 5% of the investor's capital commitment, to defray the operating costs of BEP and the Private Funds which would otherwise be paid by the Funding Members. This initial fee arrangement is disclosed in each applicable Private Fund's operating agreement. The Initial Investment Fee is paid in lieu of a regular management fee or Budget payments. BEP may negotiate a reduction or waiver of the Initial Investment Fee.

Other Advisory Fee Arrangements. BEP reserves the right, in its sole discretion, to negotiate and to charge different fees to certain investors based on the amount of committed capital and the ability of an investor to identify investment opportunities and other factors unique to an investor's particular circumstances.

#### **5.B. Direct Billing of Advisory Fees**

For the Private Funds, the Funding Members and non-Funding Members wire the Budget payments and Initial Investment Fees directly into the firm's bank account, typically on a quarterly basis (for Funding Members).

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<sup>1</sup> Non-Funding Members are investors other than the Funding Members.

### **5.C. Other Non-Advisory Fees**

Generally, Private Funds managed by BEP will be responsible for all expenses relating specifically to (i) the business of the Private Funds and (ii) specific portfolio companies in which a given Private Fund has invested, including but not limited to the following:

- Litigation-related (including audits, examinations and investigations) and indemnification expenses (subject to any limitations specified in the applicable Private Fund's operating agreement);
- Administrative expenses specific to a Private Fund;
- Bookkeeping expenses;
- Costs associated with reporting and providing information to existing and prospective Private Fund investors;
- Expenses associated with the maintenance of books and records of the Private Fund and the preparation and dispatch to the members of distributions;
- Financial reports and notices required pursuant to the Private Fund's operating agreement;
- Fees payable to a third-party administrator;
- Monthly reporting expenses (including software license fees for investor reporting and related services, allocated among each of the Private Funds for which the Adviser or an affiliate serves as general partner, managing member, manager, or investment manager based upon the BEP's best judgment, taking into account the amount and nature of the assets of each Private Fund);
- Bank commitment fees and interest expense;
- Fees and expenses of professional advisors, such as legal counsel, accountants and auditors, appraisal fees, and costs of any liability insurance obtained with respect to any indemnified party;
- All out-of-pocket costs related to investments including, but not limited to, professional fees and diligence costs related to the investigation of investment opportunities;
- Any direct portfolio company expenses for which a portfolio company does not provide reimbursement to BEP;
- Taxes and other similar fees owed by the entity;
- CSC statutory representation fees;
- Entity organization and reorganization, as deemed necessary in the sole discretion of BEP;
- Legal fees directly related to an investment made by a Private Fund or a portfolio company in which such Private Fund has invested;
- Transaction fees;
- Due diligence fees, travel expenses, and other expenses directly related to potential investments, even in cases where the potential investment is not successful or is forgone, including "broken deal expenses"; and
- Finders fees, which may vary from 1% to 5% of the aggregate consideration paid for the relevant investment.

The Adviser reserves the discretion to not allocate certain expenses to the Private Funds if, in the judgment of the Adviser, the Adviser should pay such expenses. If a Private Fund bears the costs of a potential investment that

ultimately is not undertaken (a “busted deal”), such costs shall be reimbursed by the Adviser. Further, where practical in the judgment of the Adviser, the Adviser will allocate direct expenses related to a specific portfolio company investment made by a Private Fund to the account of that specific portfolio company.

To the extent the excess cash related to a Private Fund investment is not sufficient to pay the direct costs of managing or overseeing such investment, additional capital will be called from Private Fund investors who contributed capital with respect to such investment. Costs that are not directly allocable to a Private Fund investment are generally funded by the “Funding Members” at the Private Fund level.

Annual Budget Paid by Funding Members. In addition to the indirect fees discussed above, certain investors in the Private Funds (the “Funding Members”) will incur other fees and expenses that are not allocable to specific Private Fund investments, including expenses incurred to support the Adviser’s operations, including but not limited to rent, telephone, insurance, utilities and the compensation of its employees. These fees are paid as part of the Budget that is approved prior to payment by the Funding Members in each Private Fund.

The Adviser determines the Budget for the Private Funds and their underlying portfolio companies and investment vehicles, which Budget is subject to approval by the Funding Members. To the extent the Funding Member entities are investors in a given Private Fund, the fee split is outlined in the operating agreement of such Private Fund.

Portfolio Company Monitoring and Management Fees. BEP is paid monitoring and management fees by certain portfolio companies of the Private Funds. Except as otherwise required by the fund documents for the Private Funds, these fees are treated as revenue by BEP and used to offset its annual operating expenses, which reduces the portion of the BEP budget allocation borne by the funds which have invested in the subject portfolio companies, .

Information about the monitoring and management services and fees are outlined in the respective operating agreement or governance documents governing the respective Private Fund or portfolio company investment. Monitoring and management services include the provision of financial, administrative, investor relations and reporting, and other managerial services to the applicable portfolio company and its subsidiaries. The monitoring and management services also include strategic planning, capitalization, human resources, acquisitions, and infrastructure development, including MIS, cash management, and financial reporting services. BEP may pay a portion of the monitoring fees to consultant(s) engaged to assist in providing the services. Finally, the monitoring fees may also cover other management programs related to the sale of a company or its assets.

Pooled Vehicle Monitoring Fees. BEP receives fees for monitoring and reporting on investments made by certain entities for which BEP provides consulting services.

#### **5.D. Advance Payment of Fees**

As discussed in Items 5.A and 5.B, the Budget for each Private Fund is calculated annually and the related Budget payments are generally paid quarterly by the Funding Members in each Private Fund. Additionally, certain investors may be charged a onetime Initial Investment Fee (see 5.A. above), which is non-refundable.

#### **5.E. Compensation for Sale of Securities**

Portfolio companies in which the Private Funds invest may pay BEP a fee for: (1) closing an add-on acquisition, which may include negotiation services related to the sale of the portfolio company or its assets; and/or (2) closing a debt refinancing. Additionally, for certain Private Funds, BEP may receive a fee based on the aggregate consideration paid in connection with the acquisition of a given portfolio company. This practice presents a conflict of interest and gives BEP, and its supervised persons, an incentive to recommend investment products based on the compensation it receives rather than on a Client's needs. To address this conflict, prior disclosure is required and is provided. The fee is typically disclosed in the acquisition documents relating to a portfolio company and is separately disclosed to the funding investors in the applicable Private Fund. Clients may have the option to purchase investment products that BEP recommends through other brokers or agents that are not affiliated with BEP. These fees are charged in addition to the management fee.

### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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BEP III GP LLC, BEP IV GP LLC, and BEP V GP LLC, each of which is an affiliate of BEP, may receive incentive allocations at the end of a performance period for a Private Fund once contributed capital has been returned to the Private Fund's investors, as governed by each Private Fund's operating agreement. In most cases, the investors in a Private Fund must also receive a preferred return prior to an incentive allocation being made to the entity designated to receive such incentive allocations.

Because of the performance-based fee arrangements, there may be an incentive for BEP to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. BEP periodically reviews the Private Funds to ensure they fall within the given account restrictions and/or constraints set forth in the operating agreements for such Private Funds.

### **ITEM 7 – TYPES OF CLIENTS**

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BEP provides investment advice to private pooled investment vehicles.



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **8.A. Methods of Analysis and Investment Strategies**

BEP principally renders investment advice regarding private equity investments in middle-market companies. The Private Funds may co-invest alongside other investment firms, family offices and financial sponsors. When rendering investment advice, BEP seeks to structure the investments based on the needs of the businesses in which each Private Fund is invested and the investment focus of each such Private Fund, rather than the investment needs of the individual investors in the Private Funds.

Direct, Control LBO Transactions. BEP does not focus on a specific industry when providing investment advisory services; however, investments by its advised Private Funds generally include, but are not limited to manufacturing, business services, financial services and consumer businesses. In assessing potential direct, control leveraged buyout (“LBO”) transactions on behalf of Clients, BEP generally uses the following criteria:

- Revenue of at least \$15 million for the two prior years and up to \$150 million or more;
- EBITDA of at least \$3 million for the two prior years and up to \$25 million or more;
- Gross margins in excess of 25%;
- EBITDA margins in excess of 10%;
- Strong management;
- History of strong, consistent revenue and earnings growth;
- Attractive future growth prospects;
- Defensible market position; and
- High returns on capital.

Co-investments. BEP may consider a wider range of industries and deal types if it believes the co-investor with whom BEP or its advised Private Fund is partnering brings value-added industry expertise and relationships. In partnerships with these other investors, BEP considers growth capital, venture capital and special situation opportunities.

Fund Investments. While BEP generally provides investment advice with a focus on direct investments and co-investments by the Private Funds, it will selectively consider investments in other private funds. BEP invests selectively in the following types of funds: LBO, growth capital, venture capital, credit-focused, mezzanine, special opportunity and private equity secondaries. BEP tends to invest the Private Fund assets in funds that will provide an opportunity to make significant co-investments alongside such funds.

Intermediaries & Deal Sources. BEP may leverage its relationships with investment bankers, business brokers, and other intermediaries on behalf of Clients. Through these relationships, BEP may identify a transaction in which the Private Fund(s) can invest.

BEP may seek other opportunistic investment opportunities in other industries or asset classes as they become available or that otherwise meet a Private Fund’s investment objectives. BEP may make investments in any

number of companies, public and private securities (both debt and equity), joint ventures and partnerships, including investment vehicles of its affiliates.

Investing in securities involves risk of loss that Clients should be prepared to bear.

#### **8.B. Material Risks of Investment Strategies**

There is no guarantee of success of the investment strategies offered by BEP. The Private Fund investment portfolios may be adversely affected by general economic and market conditions such as interest rate fluctuations, availability of credit, inflation rates, changes in laws, and national and international political circumstances. These strategies do not employ limitations on particular sectors, industries, countries, regions or securities. Investors should also consider the following risks:

Management Risk. Judgments about the value and potential appreciation of a particular investment may be wrong and there is no guarantee that the investment will perform as anticipated. The value of any single investment can be more volatile than the market as a whole or BEP's intrinsic value approach may fail to produce the intended results. There is dependence on the diligence, skill and business contacts of BEP's investment advisory personnel for the execution of BEP's strategies, including the selection, structuring and closing of each Private Fund's investments. BEP's future success depends, to a significant extent, on the continued service and coordination of the underlying managers of the companies in its investment portfolio.

Sector Focus Risk. The Private Funds may be more heavily invested in certain sectors or industries, which may cause the value of their investments to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the Private Funds to fluctuate. Certain sectors in which the Private Funds invest are continuously evolving and are subject to rapid technological and regulatory change. The success of any business operating in these sectors is, to a large extent, dependent on its ability to acquire, develop, adopt and exploit new and existing technologies and strategies and to distinguish its products and services from those of its competitors. The acquisition, development, adoption, exploitation and distribution of new and existing technology and strategy may take long periods of time and may require significant capital investment. In addition, the success of any business in these sectors is dependent on its ability to anticipate and adapt to regulatory change. These sectors are also characterized by intense competition.

Non-diversified Risk. Because the Private Funds may invest more of their assets in securities of a single issuer or a limited number of issuers, rather than a portfolio with greater diversification limitations, they may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers.

Direct, control LBO Transactions. BEP may cause the Private Funds to invest by direct, control LBOs. Such investments may increase the potential risks, as some LBOs may result in higher debt-to-equity ratios, leaving the underlying company economically vulnerable, particularly if interest rates increase or if the economy suffers a recession.

Risk of Private Investment Vehicles. BEP recommends that certain Clients invest in privately placed collective investment vehicles, such as private equity funds. Because private investment vehicles are not registered investment companies, they are not subject to the same regulatory reporting or oversight as registered entities.

Risk of Indemnification Expense. BEP and its affiliates generally will not be liable to the Private Funds or its investors for the consequences of the conduct of BEP or its affiliates, and will be indemnified by the respective Private Fund against any losses they may incur, in the absence of bad faith, willful misconduct or gross negligence. Accordingly, the Private Funds (and not BEP) will generally be responsible for any losses, and will benefit from any gains, resulting from trading errors and similar human errors, absent bad faith, willful misconduct or gross negligence.

Side Agreements. BEP may enter into side agreements with specific investors in the Private Funds providing for different fees, access to information about the Private Fund's investments, or other matters relating to an investment in the Private Fund.

#### **8.C. Material Risks of Securities Used in Investment Strategies**

BEP's investment policies and procedures are explained in each Private Fund's operating agreements or related agreements entered into in connection therewith, as applicable. Typically, BEP is granted latitude in making investment decisions with respect to the Private Funds. Portfolio investments generally involve a number of significant risks, including the following risks discussed below:

Equity Risk. Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities (whether or not publicly traded), which could also result in losses. In addition to common stock, the equity securities in a portfolio may include preferred stock, convertible preferred stock, convertible bonds, debt securities and warrants. Like common stock, the value of these securities may fluctuate in response to many factors, including the activities of the issuer, general market and economic conditions, prevailing interest rates and specific industry changes. Convertible securities entitle the holder to receive interest payments or a dividend preference until the security matures, is redeemed, or the conversion feature is exercised. As a result of the conversion feature, the interest rate or dividend preference is usually less than if the securities were non-convertible. Warrants entitle the holder to purchase equity securities at specific prices for a certain period of time. The prices do not necessarily move parallel to the prices of the underlying securities and the warrants have no voting rights, receive no dividends, and have no rights with respect to the assets of the issuer.

Default Risk. The issuer or guarantor of a debt security or counterparty to the portfolio's transactions may be unable or unwilling to make timely principal and/or interest payments, or otherwise may be unable or unwilling to honor its financial obligations. If the issuer, guarantor, or counterparty fails to pay interest, the portfolio's income may be reduced. If the issuer, guarantor, or counterparty fails to repay principal, the value of that security and value of portfolio may decline.

Competition for Investment Opportunities. The market for private equity opportunities is very competitive. This competition increases the pricing for the investments, thereby possibly reducing the returns to investors. This intense competition also increases the execution risk in successfully closing a private equity investment. The Private Funds could incur costs (including the cost of forgone opportunities) related to failed investment processes.

Interest Rate Risk. Since many of the investments in which the Private Funds invest are financed, in part, with leverage, rising interest rates will increase interest expense incurred by the portfolio companies. Additionally, higher rates will impact the amount of leverage a given portfolio company can bear, and, therefore, rising rates could impact the valuation upon an exit.

Lack of Liquidity. A substantial proportion of the Private Fund investments will be in private companies and will require a long-term commitment of capital. A substantial amount of the Private Fund investments will also be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult to sell investments if the need arises or if BEP determines such sale would be in the Private Funds' best interests. In addition, if a situation arises in which BEP is required to liquidate all or a portion of an investment quickly, BEP may realize significantly less than the value at which the investment was previously recorded, which could result in a decrease in a portfolio's net asset value.

Private Company Risk. Companies in which the Private Funds invest may be in early stages of growth, and the performance of early-stage companies may be more volatile due to their limited product lines, markets or financial reserves, their susceptibility to competitors' actions, or major economic downturns. The portfolio companies held by the Private Funds may also depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on the prospective business opportunities and the investments made. Additionally, some of the companies in which the Private Funds invest may require a significant investment of capital to support their operations or finance the development of their products or markets, and may be highly leveraged and subject to significant debt service obligations, which could have a material adverse impact on the Private Funds' investment.

Smaller Company Risk. The companies in which the Private Funds invest may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt. Further, there may be little public information about such companies. As a result, investors in the Private Funds may have to rely on the ability of BEP to obtain adequate information for the purposes of evaluating potential returns and making fully informed investment decisions. The portfolio companies held in the Private Funds will be comparatively small companies with no readily available market for their securities. BEP will typically be dependent upon the portfolio company being sold, refinanced, reorganized or having a public offering in order to achieve liquidity for the Private Fund's investment. The possibility that a portfolio company will not be able to adequately commercialize its technologies, products or business concepts presents significant risk.

Investments in these types of securities involve risk and the loss of capital. The strategies and investments may not be suitable for all investors. Past performance is not indicative of future results.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management. BEP has no information applicable to this item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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##### **10.A. Registered Representatives**

BEP's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

##### **10.B. Other Registrations**

BEP's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

##### **10.C. Material Relationships or Arrangements**

**BEP Affiliates.** BEP is affiliated with Hillside Capital Incorporated ("Hillside"). Hillside is an investment adviser that is a family office and a Funding Member of certain Private Funds managed by BEP. The chief compliance officer ("CCO") of BEP is employed by Hillside. Additionally, two other Hillside employees provide administrative assistance to BEP. Conflicts of interest may arise as a result of the CCO's dual employment and from the provision of administrative services by the Hillside employees. To mitigate this conflict, both the CCO and the Hillside employees are subject to BEP's Manual and Code of Ethics.

BEP, or an affiliate of BEP, may serve as the general partner, manager or managing member to the Private Funds. Additionally, BEP may also recommend that certain Private Funds invest in other Private Funds managed by BEP. The Adviser and its principals and affiliates may engage in other activities, and will determine how much time and attention they will devote to the affairs of BEP, its affiliates, and the Private Funds. These activities include but are not limited to (1) serving as a member of the board of directors of a portfolio company; (2) providing consulting or other services to portfolio companies; and (3) serving in other positions in which they are given access to confidential information relating to companies in which the Private Funds invest. As a result, Private

Funds may be prohibited, for a period of time, from engaging in transactions with respect to the debt or securities of a portfolio company. Such prohibition may have an adverse effect on the Private Fund.

Operating Advisors. BEP employs certain outside advisers who are compensated through the Budgets disclosed in Item 5 to provide consulting services. These advisers are not employees of BEP.

Co-investments and Other Relationships. BEP, its principals, employees, and affiliates, may co-invest in private investment opportunities with one or more of the Private Funds. Additionally, these parties may also own an equity interest in, lend or have lent money to, serve as officers, directors, consultants or in other capacities for, or have other relationships or transactions with the Private Funds or the portfolio companies in which the Private Funds may invest. Such relationships may create potential conflicts of interest, and may limit the ability of the Adviser to purchase or sell securities of the relevant portfolio company in response to market or other events.

Investments in these types of securities involve risk and the loss of capital. The strategies and investments may not be suitable for all investors. Past performance is not indicative of future results.

BEP may recommend certain Private Funds for which it serves as the managing member or manager for investment by other Private Funds it manages, which creates a conflict of interest, as the Adviser may be inclined to recommend the Private Funds it advises instead of other potential investments. Further, BEP's affiliates and related persons may co-invest alongside some of the Private Funds and / or co-invest in the portfolio companies in which one or more of the Private Funds invest. This creates a conflict of interest, as the Adviser may be inclined to recommend an investment due to the affiliate or related person's financial interest in the Private Fund.

As discussed above, the Funding Members reimburse BEP for its operating expenses and other fees included in the Budgets. This relationship may create a conflict of interest, as BEP may be inclined to favor the Funding Members over other investors who do not pay for such expenses.

Outside Activities. Employees of BEP may be involved in outside activities that prevent the Private Funds from making certain investments due to information BEP employees receive while conducting outside activities. Outside activities may also involve some of the investors in the Private Funds, which could result in conflicts of interest between BEP, its employees, and the Private Funds.

Side Letters. BEP may cause the Private Funds to enter into side letters. In such cases, the side letter must generally be approved by the Funding Members that have invested in the applicable Private Fund and cannot provide more favorable terms than those received by such Funding Members unless BEP offers such Funding Members the option to receive any rights provided to other parties in such side letter. This creates a conflict of interest as it may result in certain investors, including the Funding Members, receiving more favorable terms of investment. Additionally, in such cases, the Funding Members may be the only investors aware of the side letter arrangements.

#### **10.D. Recommendations of Other Investment Advisers**

BEP does not recommend other investment advisers to its Clients.

## **ITEM 11 – CODE OF ETHICS**

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### **11.A. Code of Ethics Document**

Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), requires the Adviser to adopt a code of ethics setting forth standards of conduct for the Adviser and the Adviser’s employees.

Accordingly, a Code of Ethics and Insider Trading Policy (the “Code”) has been adopted to ensure individuals responsible for developing, implementing, or providing BEP’s investment advice to Clients of BEP will not be able to act thereon to the disadvantage of BEP’s Clients.

The Code includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its Clients. BEP will provide a copy of its Code to any Client or prospective Client or investor upon request. For the purposes of the Code, all full-time employees who, in the course of business, have access to trading records of Clients are considered “Access Persons”. Firm employees outside this description are not subject to the Code unless deemed appropriate by the CCO.

### **11.B. Recommendations of Securities and Material Financial Interests**

As a matter of policy, the Adviser does not engage in principal transactions or agency cross transactions.

BEP may recommend certain Private Funds for which it serves as the managing member or manager for investment by other Private Funds it manages, which creates a conflict of interest, as the Adviser may be inclined to recommend the Private Funds it advises instead of other potential investments. Further, BEP’s affiliates and related persons may co-invest alongside some of the Private Funds and / or co-invest in the portfolio companies in which one or more of the Private Funds invest. This creates a conflict of interest, as the Adviser may be inclined to recommend an investment due to the affiliate or related person’s financial interest in the Private Fund or portfolio company.

### **11.C. Personal Trading**

Access Persons may not acquire any securities issued as part of an initial public offering (“IPO”) or a limited offering, absent prior approval of the CCO or the CCO’s designee. Any such approval will take into account, among other factors, whether the investment opportunity should be reserved for a Client and whether the opportunity is being offered to such person because of his or her position with the Adviser. Once pre-approval has been granted, the pre-approved transaction must be executed within twenty-four hours. An Access Person



who has been authorized to acquire securities in such opportunity must disclose his or her interests if involved in considering an investment in such securities for a Client. Any decision to acquire the issuer's securities on behalf of a Client shall be subject to review by Access Persons with no personal interest in the issuer.

Each Access Person will submit holdings and transactions reports required under the Code to the CCO or other designee, for review.

#### **11.D. TIMING OF PERSONAL TRADING**

Access Persons are prohibited from executing a transaction in a security held by a Private Fund managed by BEP without prior approval by the CCO.

### **ITEM 12 – BROKERAGE PRACTICES**

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#### **12.A Selection of Broker/Dealers**

BEP primarily engages in private equity transactions and does not typically purchase or sell securities through a broker or exchange. Generally, there are no commission charges related to transactions with portfolio companies. However, if and when BEP trades publicly-held securities held in a Client portfolio, BEP will seek to obtain the best combination of price and execution. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other factors are considered as they are deemed relevant. In applying these factors, BEP recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities.

Research and Other Soft Dollar Benefits. BEP does not participate in any soft dollar arrangements.

Brokerage for Client Referrals. The Adviser does not maintain any referral arrangements with brokers.

Client-Directed Brokerage Transactions. Considering the nature of private equity investments and the fact that BEP's Clients are limited to the Private Funds, it would be unlikely that a Client would direct BEP to use a certain broker-dealer.

#### **12.B. Aggregation of Orders**

Transactions involving portfolio companies are expected to be infrequent and specific to the activities of each such portfolio company. BEP maintains trade allocation procedures as required by law; however, an allocated trade is not expected to occur under the current circumstances.

BEP may, from time to time, face conflicts of interest relating to its dealings with the Private Funds. In the future, BEP or its affiliates may provide investment advisory and management services to other investment funds and



Clients that use similar strategies. BEP may give advice and recommend securities to others, which advice or securities may be identical to, or differ from, advice given to, or securities recommended or bought for the Private Fund(s), even though their investment objectives may be the same or similar. Such other funds and accounts may be subject to different fees and expenses, and BEP or its affiliates may own interests in some of these other funds and accounts. In the ordinary course of its activities, BEP may, from time to time, buy or sell, for other accounts, the same securities as those traded by one or more of the Private Funds.

BEP will determine how investment and trading opportunities are allocated among the Private Funds it manages, even though it may face potential conflicts of interest in making such allocations. BEP will act in a manner that it considers fair and equitable in allocating investment opportunities among the Private Funds. Despite this effort, situations may arise in which the account activities of BEP or other Clients may disadvantage one or more of the Private Funds, such as the sale of particular securities placed by BEP for one or more of the Private Funds and other accounts at prices and in quantities that would not be obtainable if the same were being placed only for the Private Fund. A conflict of interest may also arise in regards to the allocation of co-investment opportunities, as the Adviser may be inclined to allocate investment opportunities to the Private Fund(s) in which it, or one (or more) of the members of BEP's investment advisory team, is a co-investor. The performance of different accounts managed by the Adviser may vary. Additionally, the Adviser may provide Funding Members with priority or preferential treatment to participate in investment opportunities.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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### **13.A. Frequency and Nature of Review**

BEP's investment committee is comprised of the Managing Partners. The Managing Partners, along with other members of BEP's investment advisory team, are responsible for reviewing the portfolio(s) of the Private Funds.

### **13.B. Factors That May Trigger An Account Review Outside of Regular Review**

The portfolios of the Private Funds are reviewed as needed or when requested by investors in the Private Funds.

### **13.C. Content and Frequency of Reports**

BEP provides periodic reports to investors in the Private Funds, as described in the operating agreement of the applicable Private Fund. Unless otherwise required by the operating agreement of the applicable Private Fund, BEP provides such reports on an annual basis.

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**ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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BEP has entered into agreements with consultants in which the consultants are paid a fee upon the completion of a successful acquisition. In addition to the investment advisory fees received by BEP, there may be instances where BEP receives non-advisory fees and/ or fees related to security transactions, as discussed in Item 5.

Certain non-Client affiliates of some of the investors in the Private Funds compensate BEP for the provision of advisory services to such Private Funds.

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**ITEM 15 – CUSTODY**

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BEP has custody according to Advisers Act Rule 206(4)-2 (“Custody Rule”) because it serves as the managing member or manager to each of the Private Funds it manages.

Since the Private Funds generally invest in private companies that do not have certificated securities, the majority of the Private Funds’ assets are not held by a custodian. Accordingly: (1) BEP distributes audited financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) to all limited partners (or members or other beneficial owners) of the Private Funds on an annual basis within 120 days of the fiscal year end of the Private Funds (or such longer period(s) as are permitted by the SEC for certain qualifying Private Funds); (2) all such financial statements are prepared by an independent public accountant that is registered with the Public Company Accounting Oversight Board; and (3) upon liquidation of a Private Fund, BEP distributes to the limited partners (or members or other beneficial owners) in such Private Fund audited financial statements prepared in accordance with GAAP promptly after the completion of the liquidation audit.

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**ITEM 16 – INVESTMENT DISCRETION**

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BEP has discretionary authority over the assets of the Private Funds as it has complete investment control once the capital is invested. For most of the Private Funds, BEP makes investment recommendations, typically through a presentation, and obtains consent from the Funding Members to make investments. To the extent other investors participate in approved investments, they individually decide whether to participate in the Private Fund and the amount of capital they wish to invest with respect to each subject Private Fund investment. Certain of the Private Funds require investors to make firm capital commitments and to participate in all investments approved by BEP. Once capital is contributed to a Private Fund by investors, BEP has discretion with respect to the management and disposition of its investments.

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**ITEM 17 – VOTING CLIENT SECURITIES**

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#### **17.A. Voting Policies and Procedures**

BEP has written Proxy Voting Policies and Procedures as required by Rule 206(4)-6 under the Advisers Act. As part of the firm's policies and procedures, BEP will exercise proxy voting authority when such authority is provided in the operating agreement of a Private Fund.

BEP will vote proxies on behalf of Client accounts on a case-by-case basis. When BEP determines it will vote a proxy, it will do so for the exclusive benefit, and in the best economic interest, of the Client and its beneficiaries, as determined by BEP in good faith. BEP will not accept direction from a Client or investors on a particular solicitation. A copy of BEP's proxy policy is available upon request.

### **ITEM 18 – FINANCIAL INFORMATION**

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#### **18.A. Advance Payment of Fees**

BEP does not require or solicit Clients to prepay fees more than six months in advance.

#### **18.B. Financial Condition**

BEP has no financial commitments that impair its ability to meet contractual and fiduciary commitments to Clients.

#### **18.C. Bankruptcy Proceedings**

BEP has not been the subject of a bankruptcy proceeding.