



# HOUSATONIC

**Housatonic Partners Management Co., Inc.**

**Housatonic Management Company, Inc.**

**One Post Street  
Suite 2600  
San Francisco, CA 94104-5203  
(415) 955-9020**

**<https://housatonicpartners.com/>**

**December 13, 2024**

**This Brochure provides information about the qualifications and business practices of Housatonic Partners Management Co., Inc. and Housatonic Management Company Inc. (collectively “Housatonic”). If you have any questions about the contents of this Brochure, please contact Joseph Niehaus at 415-955-9020 or by email at [jniehaus@housatonicpartners.com](mailto:jniehaus@housatonicpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. References in this Brochure to Housatonic as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

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

## **ITEM 2 – MATERIAL CHANGES**

This Brochure (the “Brochure”) replaces the last version of Housatonic’s Brochure dated March 26, 2024. Item 5 was updated to disclose that broken deal expenses are generally not allocated to co-investment entities. Item 8 was revised to update the risk section and remove commentary that is no longer applicable. Housatonic encourages investors to read this document in its entirety.

### ITEM 3 – TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 2 – MATERIAL CHANGES .....	II
ITEM 3 – TABLE OF CONTENTS .....	III
ITEM 4 – ADVISORY BUSINESS .....	4
ITEM 5 – FEES AND COMPENSATION .....	6
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	9
ITEM 7 – TYPES OF CLIENTS.....	10
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
ITEM 9 – DISCIPLINARY INFORMATION.....	19
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	20
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	21
ITEM 12 – BROKERAGE PRACTICES .....	23
ITEM 13 – REVIEW OF ACCOUNTS.....	24
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....	25
ITEM 15 – CUSTODY .....	26
ITEM 16 – INVESTMENT DISCRETION .....	27
ITEM 17 – VOTING CLIENT SECURITIES .....	28
ITEM 18 – FINANCIAL INFORMATION.....	29

## ITEM 4 – ADVISORY BUSINESS

Housatonic Partners Management Co., Inc. (“HPMC”), a Delaware C Corporation formed in December 2007 and Housatonic Management Company, Inc. (“HMCI”), a Massachusetts S Corporation formed in December 1998 (collectively “Housatonic”) each provide discretionary investment advisory services to a number of private investment funds (the “Funds” or “Advisory Clients”).

HPMC and HMCI collectively conduct a single advisory business and Housatonic is filing a single Brochure in reliance on the position expressed in the SEC no action letter dated January 18, 2012. As such, Housatonic has aggregated its responses to the questions posed in this Brochure so that its responses refer to, and include all information concerning, both HMCI as filing adviser and HPMC as relying adviser.

Housatonic is a private equity firm which primarily provides advice on and manages investments in buyout and recapitalization transactions involving middle market businesses. The only advisory clients of Housatonic are the Funds.

The principal owners of HPMC are Mark G. Hilderbrand, Joseph M. Niehaus, and Barry D. Reynolds (collectively, the “Principals”); no persons principally own HMCI as no individual's ownership exceeds 25%.

Housatonic provides discretionary investment advisory services to the following Funds, each of which is a Delaware limited partnership:

- Housatonic Equity Investors II L.P.;
- Housatonic Equity Investors IIA L.P.;
- Housatonic Equity Investors SBIC L.P.;
- Housatonic Equity Investors IV L.P.;
- Housatonic Equity Investors V L.P.;
- Housatonic Equity Investors VI L.P.;
- Housatonic Equity Affiliates IV L.P.;
- Housatonic Equity Affiliates V L.P.;
- Housatonic Equity Affiliates VI L.P.;
- Housatonic Equity Investors VII, L.P.;
- Housatonic Equity Affiliates VII, L.P.;
- Housatonic IV CF, L.P. (the “Continuation Fund”) and
- Housatonic CF II, L.P. (the “Continuation Fund II”)

The Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and the securities of the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Affiliates of Housatonic serve as the general partners or managers of the Funds (as applicable) (the “Affiliated General Partners”). Each of the Affiliated General Partners is a related person of Housatonic and is under common control with Housatonic. While each Affiliated General Partner retains management authority over the business and affairs, including investment decisions, of its respective Fund, Housatonic has been delegated the role of investment adviser. The Affiliated General Partners and their employees and personnel will be subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and rules thereunder, and to all of Housatonic’s compliance policies and procedures. Each of the personnel of the Affiliated General Partners will be deemed “persons associated with” Housatonic (as that term is defined in section 202(a)(17) of the Advisers Act) and will be subject to SEC examination. As such, references to Housatonic in this Brochure should also be considered references to the Affiliated General Partners (and vice versa) in the appropriate context.

Each Fund is governed by a limited partnership agreement, or an operating agreement (each, a “Fund Agreement”) that specifies the specific investment guidelines and investment restrictions applicable to the Fund. In certain cases, the private placement memoranda prepared for the investors of the Funds also contain information regarding the intended investment program for such Fund. Housatonic, together with the Affiliated General Partners, provides investment management and administrative services to the Funds in accordance with the applicable Fund Agreements, private placement memoranda and other offering materials.

The investors in the Funds (“Investors”) are primarily “qualified purchasers” (as defined in the Investment Company Act) and/or “accredited investors” (as defined in Regulation D under the Securities Act). Housatonic generally has broad and flexible investment authority with respect to the Funds. Each Fund’s investment objective and strategy is set forth in a confidential private placement memorandum. All Investors in the Funds are provided with a confidential private placement memorandum and are urged to carefully review those documents.

Housatonic seeks to focus on industries which Housatonic believes have superior economic characteristics and in which the investment professionals have prior experience. Specifically, Housatonic will seek to target industries and companies with high internal growth rates and high returns on tangible capital. As a result, Housatonic will invest in companies with leadership positions in growing market niches in the recurring services, media and communications industries.

As noted above, the clients of Housatonic are the Funds. Housatonic tailors its investment advice to each Fund in accordance with the Fund’s investment objectives and strategy as set forth in the relevant Fund Agreement and confidential private placement memorandum. Housatonic typically does not tailor its advisory services to the individual needs of Investors and, except as noted below, does not accept any sort of investment restrictions from Investors as it relates to the Funds.

The Investors in each Fund are able to negotiate the terms of the applicable Fund Agreement in connection with their investments in such Fund. In certain cases, the Affiliated General Partners have, and may in the future, enter into side letter agreements with certain Investors in a Fund establishing rights under, or supplementing or altering the terms of, the applicable Fund Agreement. Such rights and privileges may not be available to other Investors (including without limitation, transparency rights, reporting rights, capacity rights, approval rights and certain other protections and the right to receive certain special allocations).

Once invested in a Fund, Investors generally cannot impose additional investment guidelines or restrictions to such Fund.

Housatonic does not participate in wrap fee programs.

As of December 31, 2023 Housatonic calculated its regulatory assets under management for the Funds of \$1,368,450,615 that is managed on a discretionary basis. Housatonic does not currently manage any client assets on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

Housatonic is compensated through the payment of management fees and performance-based compensation by the Funds. Housatonic will receive an annual management fee (the “Management Fee”) from each Fund, or directly from the investors (as the case may be) as detailed below:

Housatonic (or its affiliates) receives an investment management fee which will vary by Fund. Generally, during the term of the Funds (including extension periods) or, as applicable, during the period prescribed in the Fund Agreement during which the Fund is permitted to make investments in new portfolio companies (the “Investment Period”), the Funds pay Housatonic a Management Fee, payable quarterly, ranging from 1.00% to 2.50% (per annum) of committed capital. Management Fees for certain of the Funds are reduced after the applicable Investment Period.

In addition, the Affiliated General Partners may receive a performance allocation (“Carried Interest”). The Carried Interest is generally equal to 20% of realized gains, which, depending on the Fund, applies once an Investor in the relevant Fund has either received a specific preferred return (the “Return”) and/or has received back all contributed capital to date (as of the date of distribution). Depending on the Fund(s), Investors are generally allocated all gains until they have surpassed the Return. Thereafter, for the applicable Fund(s), gains are generally shared on an 80%/20% basis between Investors and the Affiliated General Partners. The Affiliate General Partner to the Continuation Fund and Continuation Fund II has the right to receive carried interest in the amount up to 30% of distributions in excess of capital contributions and the preferred return, dependent on the ultimate performance of the Continuation Fund and Continuation Fund II. In addition, the Affiliated General Partner to the Continuation Fund will be eligible to receive carried interest with respect to Investors that are rolling over their interests from Housatonic Equity Investors IV, L.P. (HEI IV) and any new Investors in the Continuation Fund. The Affiliated General Partner to the Continuation Fund II will be eligible to receive carried interest with respect to Investors that are rolling over their interests from Housatonic Equity Investors V, L.P. and Housatonic Equity Affiliates V, L.P. (Fund V) and Housatonic Equity Investors VI, L.P. and Housatonic Equity Affiliates VI, L.P. (Fund VI). Housatonic professionals invested in the Affiliate General Partner to the Continuation Funds will receive (or “crystallize”) carried interest from the Investors from HEI IV, HEI V and/or HEI VI in the connection with the transaction in the Continuation Funds.

The Management Fees paid to Housatonic are not negotiable after they have been documented in the Fund Agreements. However, pursuant to the applicable Fund Agreements, the Management Fees and/or performance allocations (and related distributions) may be (and have been) waived and/or reduced at the discretion of the relevant Affiliated General Partner. Further, in certain Funds the Management Fee may be offset by a portion of the board of director’s fees paid by certain portfolio companies. All such fee offsets are governed by the detailed terms provided in the Fund’s offering documents.

Housatonic, or the Affiliated General Partners, deduct fees applicable to the appropriate Fund (and Investors) directly from the Fund’s assets or directly from the capital accounts of Investors (as the case may be). Investors do not have the ability to choose to be billed directly for fees incurred.

In general, Housatonic receives a Management Fee based on a percentage of each Fund’s committed capital with certain reductions occurring, depending on the Fund, after the Investment Period of each applicable Fund. In addition, the Affiliated General Partners may receive Carried Interest based on, among other factors, a percentage of net income of the Funds (pursuant to the detailed terms as described in each Fund Agreement). The Management Fee is payable quarterly in advance and the Carried Interest is distributed pursuant to the terms of the applicable Fund Agreement.

The Affiliated General Partners will be responsible for all normal overhead expenses of managing the respective Funds, including compensation for each Funds employees, rent, utilities, and other ordinary and recurring expenses of management.

The Funds will be responsible for all costs and expenses incurred in the investigation, holding, purchase,

sale or exchange of securities (whether or not ultimately consummated), including private placement fees, finder's fees, interest on borrowed money, real property or personal property taxes on investments, including documentary, recording, stamp and transfer taxes, brokerage fees or commissions, legal fees, expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the applicable Fund, including claims by or against a governmental authority, audit and accounting fees, consulting fees relating to investments or proposed investments, taxes applicable to the Fund on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of the Funds' securities (if applicable) under applicable securities laws or regulations. The Funds will also be responsible for expenses incurred by the Affiliated General Partner in serving as the tax matters partner, fees associated with tax return preparation, the cost of liability and other premiums for insurance protecting the Funds, the Affiliated General Partner, and the Housatonic and its employees from liability to third parties, all out-of-pocket expenses of preparing and distributing reports to Investors, expenses associated with the Funds' communications with Investors, including preparation of annual or other reports to the Investors, out-of-pocket costs associated with Funds' partnership meetings or advisory board matters, all out-of-pocket fees and expenses incurred by Housatonic related to regulatory compliance in connection with the management of the Funds, all legal, accounting, audit, appraisal, advisory, bookkeeping, recordkeeping or professional services fees and expenses relating to the Funds and their activities, fees and expenses related to finance, reporting and administration services, all costs and expenses arising out of the Funds' indemnification obligations pursuant to the applicable Fund Agreement, and all expenses that are not normal operating expenses.

Subject to applicable caps, the Funds bear all expenses associated with the organization of such Fund and its affiliates in connection with marketing, formation, staffing and organization of the Funds, up to a maximum as detailed in the respective offering documents of the Funds.

If any Fund expenses are associated with two or more Funds, such expenses will typically be allocated according to the relative aggregate capital commitments of the applicable Funds.

For the avoidance of doubt, the Affiliated General Partner reserves the right, in its sole discretion, to structure any co-investment opportunity such that the proposed participants in such co-investment opportunity do not bear any broken deal expenses, with the result that a Fund will bear all such broken deal expenses. In most cases, the Affiliated General Partner does not expect that proposed participants in co-investments will bear broken deal expenses. Consequently, a Fund is expected to bear all such broken deal expenses.

In the event that a transaction in which a co-investment was to be sought ultimately is not consummated, all obligations, liabilities and out-of-pocket fees (including any broken deal fees), costs and expenses relating to such unconsummated transaction are expected to be borne by the relevant Fund, and not by any potential or expected co-investors, subject to any restrictions set forth in the relevant Partnership Agreement.

Housatonic, the Affiliated General Partner, or full-time, permanent employees are entitled to receive directors' fees or consulting fees, advisory fees, break-up fees or similar fees as compensation for financial advisory and similar services provided to the Funds' Portfolio Companies. A portion of such fees may be used to offset and reduce the amount of the Management Fee otherwise payable by the Funds in accordance with the terms of the governing documents of the applicable Fund.

Please refer to Item 12 of this Brochure for information regarding Housatonic's brokerage practices.

Management Fees applicable to Investors are paid quarterly in advance to Housatonic.

Investors may not terminate advisory contracts prior to the end of a billing period because they may not withdraw from their respective Fund prior to dissolution, and may not transfer any of their interests, rights or obligations under the Fund without the prior written consent of Housatonic or the applicable Affiliated General Partner, as applicable. As such, there is no need for a refund mechanism.

### *Operating Team Members*

As further described in Item 8 below, Housatonic partners its investment team with professionals that have deep and functional operating experience with portfolio companies (“Operating Partners”) as well as deal specific industry executives with direct knowledge of a target company’s customers and competitors (“Operating Partners”) (collectively referred to as “Operating Team Members”). The Funds and each portfolio company are permitted to retain the services of one or more Operating Team Members. The Operating Team Members could be former, existing or prospective executives of portfolio investments or portfolio companies of the Funds, industry executives or advisors (including deal-specific industry executives), research consultants, sourcing consultants, members of expert networks, operating executives and operating professionals, subject matter, industry or regulatory experts or other individuals acting in a similar capacity, and the scope of the services to be provided by any Operating Team Member could include advice with respect to existing and/or potential portfolio investments.

Upon the acquisition of a portfolio investment, it is expected that the Operating Partner will become an executive of the portfolio investment and be compensated by the relevant portfolio company and will participate in the management equity incentive programs. Housatonic believes that the Operating Team’s receipt of cash and equity consideration directly from the respective portfolio companies helps to create alignment between the Operating Team and portfolio company management. In some cases, the Operating Team member may be compensated by a Search Fund raised by the Operating Partner. However, if a prospective portfolio investment is not consummated, compensation paid to the Operating Team will be borne by the Fund.

**It is important that Investors refer to the relevant confidential private placement memorandum and/or other governing documents for a complete understanding of how fees are paid to Housatonic and what expenses they may pay through an investment in the Funds. The information contained herein is a summary only and is qualified in its entirety by such documents.**



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

As described in Item 5.A above, an affiliate of Housatonic may receive performance-based allocations and distributions from the Funds in the form of Carried Interest, which is calculated based on the profits generated on the sale or disposition of Fund assets together with the current income generated by such assets (subject to certain limitations set forth in the applicable each Fund Agreement).

The fact that affiliates of Housatonic receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Housatonic to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

## **ITEM 7 – TYPES OF CLIENTS**

Housatonic provides investment advisory services to the Funds, as described in Item 4, above. During the periods of time when the Funds were open to new Investors, the Funds were open only to Investors meeting certain suitability requirements. In addition, the Funds have typically required an Investor to have a significant minimum capital commitment in order for such Investor to participate in such Funds. Certain of the Funds are no longer open to new Investors.

The minimum commitment for an Investor of a Fund is generally \$500,000, however, it is outlined in each Fund Agreement that Housatonic maintains discretion to accept less than the minimum investment threshold. In addition, the Funds may enter into separate agreements, commonly referred to as “side letters,” with certain Investors, to modify certain terms or add different terms than those specifically described in the applicable Fund Agreement. Under certain circumstances, these agreements could create preferences or priorities for such Investors.

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

The following summarizes the methods of analysis and investment strategies used by Housatonic in formulating investment advice. There can be no assurance that Housatonic and the Funds will achieve their investment objectives or that the investment strategies employed by Housatonic will be successful.

Housatonic's investment strategy is based on:

- 1) Disciplined focus on a less competitive, less efficient market segment within the private equity industry;
- 2) Targeting businesses with superior economic characteristics;
- 3) Proprietary sourcing of investments through Housatonic's network;
- 4) Comprehensive analysis and due diligence;
- 5) Portfolio company stewardship as an active lead investor; and
- 6) Developing optimal exit strategies.

### Attractive Market Segment

Housatonic focuses on buyouts and recapitalizations of growing, profitable service companies with strong recurring revenues (each a "Portfolio Company").

First, Housatonic seeks to acquire fundamentally attractive businesses that are able to generate superior returns over a long time horizon without requiring a high level of financial leverage or multiple expansions upon exit. Housatonic believes such businesses share quantifiable financial characteristics, including predictable internal revenue growth and high returns on tangible capital. Businesses in the recurring services, media and communications industry groups frequently demonstrate these financial characteristics.

Second, from the outset, Housatonic has recognized the importance of maintaining focus and specialization. In carrying out its investment objectives, Housatonic has maintained a disciplined focus on industries and businesses it knows well. This industry focus has allowed Housatonic to develop a valuable network of experienced operators and specialized service providers with access to potentially interesting investment opportunities.

Finally, Housatonic seeks to focus on smaller transactions in businesses exhibiting strong growth, which Housatonic believes increases the probability of expanding exit multiples. If Portfolio Companies achieve their targeted growth rates over a typical five to seven year holding period, they can often be marketed to a broader range of potential buyers on exit, including larger private equity funds.

### Targeted Economic Characteristics

Housatonic seeks investment opportunities that have the following three quantifiable financial characteristics:

- Leadership positions in growing markets;
- High returns on tangible capital; and
- Predictable, recurring revenues.

Housatonic believes that superior investments combine high sustainable internal growth rates with high returns on tangible capital. This combination allows for attractive returns and is frequently found in market-leading companies in growing niches within the healthcare services and business and information services industry segments.

### Proprietary Sourcing

Housatonic sources the vast majority of its investments directly, generally avoiding auctions and other

competitive processes. The majority of Housatonic's investments have been sourced directly rather than through competitive processes. The investment team identifies investment opportunities through four primary channels: (i) Housatonic's network of CEOs and industry contacts; (ii) other private equity investors; (iii) search fund managers; and (iv) direct outbound calling to targeted industry segments.

#### Analysis and Due Diligence

Housatonic evaluates investment opportunities and conducts due diligence in two phases. First, prospective investments are rigorously screened based upon specific economic criteria. Second, if the desired characteristics are met, Housatonic conducts extensive analysis and due diligence on the target company.

#### Active Lead Investor

Housatonic is the lead investor in the majority of its Portfolio Companies and Housatonic's investment professionals generally play an active role in portfolio companies through involvement on the Board of Directors.

#### Operating Partners

Housatonic currently has formalized relationships with Operating Partners with whom the investment team has been working with over a number of years, and the Firm may engage additional Operating Partners in the future. The current Operating Partners have previously served as senior executives (e.g., CEOs, Group Presidents or Executive Vice Presidents) for large companies in Housatonic's target sectors or were senior executives for a former Housatonic portfolio company and they bring significant professional experience to Fund VII. Housatonic believes its use of Operating Partners (both current and future) represent a key differentiator from other middle-market investors and are an important resource for the execution of the Firm's growth strategies. Operating Partners work hand-in-hand with the investment team throughout the investment diligence process to identify actionable growth strategies and assess the Company's ability to execute on them. Following the acquisition of a portfolio investment it is expected that the Operating Partners will become a senior executive of the portfolio company. In addition, Housatonic will draw from its network to engage Operating Partners for individual portfolio investments.

#### Optimal Exit Strategies

Housatonic's investment approach requires analysis and consideration of the most favorable exit options for each investment at the time it is made. The most common exit strategy for Housatonic's Portfolio Companies has been sale to a strategic buyer. For several of Housatonic's current Portfolio Companies, an initial public offering is a viable exit alternative. Increasingly, financial buyers have also provided an attractive exit option. Through their role on the Board of Directors, Housatonic's investment professionals help their companies to evaluate and optimize exit options.

As a general matter, Housatonic utilizes the methods of analysis and investment strategies described in the Fund Agreement provided to all Investors prior to the time of an investment. The information contained herein is a summary only and Investors and prospective Investors should refer to the respective Fund Agreement for a complete overview of Housatonic's methods of analysis and investment strategies.

An investment in the Funds involves a significant degree of risk. There can be no assurance that the Funds' targeted rate of return will be achieved or that there will be any return of capital. The environment for private equity investments is increasingly competitive and an Investor should only invest in the Funds if the Investor can withstand the liquidity constraints of an investment in the Fund and a total loss of its investment.

No guarantee or representation is made that the Funds' investment program will be successful.

**Risk of Loss.** The types of investments that the Funds anticipates making involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that the Funds will be adequately compensated for risks taken. A loss of principal is possible. The timing of profit

realization is highly uncertain. Losses are likely to occur early in the Funds' life, while successes often require a long maturation.

**Leverage.** The Funds' portfolio companies will often have leveraged capital structures. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. Shortfalls in cash flow or increased interest rates may impair their ability to meet their debt obligations.

**Economic Conditions.** The United States and global economies have recently experienced, and to some extent continue to experience, volatile and unstable periods, which have included bank failures, a credit crisis, a loss of confidence among major financial institutions, global pandemics, wars, and instability in the public markets. Each of these conditions and the potential repercussions thereof, may continue to have lasting adverse effects on the returns of the Funds and its portfolio companies.

**Private Equity Investments.** The Funds expect to have significant or controlling interests in a number of its private equity investments in portfolio companies. The exercise of control over a portfolio company may impose additional risks of liability for, among other things, environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Funds might suffer a significant loss.

**Mature Companies.** Investments in more mature companies involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, and general management of these activities.

**Valuation.** Generally, there will be no readily available market for a substantial amount of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Disposition of such investments may require a lengthy time period or may result in distributions in kind to the Partners.

**Valuation of Impaired Assets.** The Fund Agreement provide the General Partner with wide-ranging authority on the determination of assets that are impaired, ("Impaired Value Investments"), and the criteria used by the General Partner or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors, and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the General Partner's determination that an investment is an Impaired Value Investment, and, except as set forth in the Fund Agreements, neither the General Partner nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Fund's holding period. In making its determination, the General Partner is entitled to make its own determination considering all facts and circumstances it deems relevant, subject to the provisions of the Fund Agreements. Where the management fee is calculated taking into account the valuation of an investment, including a determination of whether an investment has become an Impaired Value Investment, the General Partner may have incentives to make determinations that result in the continued payment of, or a higher, management fee. As a general matter, the standards for determining Impaired Value Investments are intended to be high and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of compensation to the General Partner and its affiliates is dependent in part on an investment's status as an Impaired Value Investment, the General Partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although the General Partner and its affiliates intend to operate in accordance with the Fund Agreements, as well as valuation policies and other practices and procedures, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policies, practices and procedures will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

**Key Man.** The loss of one or more principals of the General Partner could have a significant adverse impact on the business of the Funds and its financial performance. No assurances can be given that each of the principals will continue to be affiliated with the Funds throughout its term. Notwithstanding any prior experience that such principals may have in making investments of the type expected to be made by the Funds, any such experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that the principals of the General Partner will be able to duplicate prior levels of success.

**Competitive Market.** The marketplace for private equity investing has become increasingly competitive. Intermediation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at historically high levels. Some of the Funds' potential competitors may have more relevant experience, greater financial resources and more personnel than the General Partner. There can be no assurances that the General Partner will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to investors in the Funds may vary.

**No Public Market.** An investment in the Funds will be illiquid and involves a high degree of risk. There is no public market for limited partnership interests in the Funds and it is not expected that a public market will develop. Consequently, Limited Partners will bear the economic risks of their investment for the term of the Funds. Prospective investors will be required to represent and agree that they are purchasing the limited partnership interests for their own account for investment only and not with a view to the resale or distribution thereof. Further, the Funds' investments will generally be private, illiquid holdings. As such, there will be no public markets for the securities held by the Funds and no readily available liquidity mechanism at any particular time for any of the investments held by the Funds. In addition, the realization of value from any investments will not be possible or known with any certainty until the General Partner elects, in its sole discretion, to sell the Funds' investments and subsequently distribute the proceeds to its investors or to distribute securities to investors in lieu of cash.

**Diversification.** As is typical of many private equity firms, the portfolio holdings of the Funds will not be broadly diversified. In addition, if the General Partner is unable to raise sufficient capital commitments to the Funds, the diversification of the portfolio holdings of the Funds will be further limited. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to investors by the Funds. To the extent the Funds concentrate investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

**Inflation.** Some countries, including the United States, are currently and may in the future experience substantial rates of inflation, which may have negative effects on the economies and securities markets of their economies. Governmental efforts to curb inflation (such as price controls) may involve drastic economic measures affecting the level of economic activities. There can be no assurance that the relevant governments will be able to exercise effective control over inflation rates or that a high rate of inflation will not have a materially adverse effect on the Fund or its investments.

**Banking Counterparty Risk.** Housatonic relies upon third-party banks or other custodians to hold and safeguard client assets and provide credit facilities that may be used to pay fund expenses and purchase new investments. While Housatonic carefully selects and monitors its custodians, there is no guarantee that such custodians will not experience financial difficulties or otherwise fail, which could prevent Housatonic from accessing client funds, securities, or credit facilities. Housatonic could be required to call investor capital to pay expenses or purchase investments that otherwise would have been financed through a credit facility, or Housatonic could be prevented from making timely distributions of investor capital in the event a banking counterparty is shut down by regulators. These events could negatively impact fund performance or result in substantial delays in the return of capital to investors.

**Foreign Investments.** The Funds may invest up to 25% of committed capital in securities outside of the U.S. and Canada. Investing in foreign securities involves considerations and possible risks not typically involved

in investing in U.S. securities, including the following: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies and/or consumer spending; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets or securities; risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including in particular the laws with respect to the rights of investors which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; risks related to the fact that some investments may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Funds could become subject to an unanticipated local tax liability. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividends interest or gains) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would result from investment in domestic securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than in the United States. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Such investments could be affected by other factors not present in the United States, including less stringent and less uniform accounting, auditing and financial reporting standards, different bankruptcy laws and practice, and potential difficulties in enforcing contractual obligations and obtaining and enforcing legal judgments against foreign entities.

**Currency Risk.** The Funds' investments in foreign securities are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The General Partner may try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be undertaken, and will be effective if so undertaken.

**Cybersecurity.** Cybersecurity risks for investment funds have increased significantly in recent years because of, among other things: the proliferation of the internet and telecommunications technologies to conduct financial transactions; the increased dependence of portfolio companies on internet-connected technologies that are susceptible to disruption from cybersecurity threats; the degree to which investment managers collect and maintain proprietary data, nonpublic data and data compilations; and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state actors. Accordingly, Housatonic, each Fund, each General Partner, and each Fund's portfolio companies will face cybersecurity threats to gain unauthorized access to sensitive information and systems, including, without limitation, information regarding such Funds' investors and investment activities, or to render data or systems unusable, which could result in significant losses. If such events materialize, they could lead to losses of sensitive information or capabilities essential to Housatonic, a Fund, a General Partner's, and Portfolio Companies' operations and could have a material adverse effect on their reputations, financial positions, results of operations or cash flows, and could lead to financial losses from remedial actions, loss of business, potential liability, or the disclosure of investors' personal information. Similarly, the public perception that Housatonic, a Fund, a General Partner, or a Portfolio Company have been the target of a cybersecurity threat, whether successful or not, could have a material adverse effect on their reputations and could lead to financial losses from loss of business, depending on the nature and severity of the threat.

Cybersecurity attacks are evolving and include, but are not limited to, computer viruses, malicious or destructive code, phishing attacks, denial of service or information, attempts to gain unauthorized access to

data, improper access by employees or vendors or other electronic security breaches that could lead to: disruptions in network access or business operations; unauthorized collection, monitoring, use or release of confidential or otherwise protected information; or loss, destruction or corruption of data. Housatonic's or a Portfolio Company's controls and procedures, business continuity systems, and data security systems could prove to be inadequate. These problems could arise in both Housatonic's or a Portfolio Company's internally developed systems and the systems of third-party service providers, upon which Housatonic or a Portfolio Company rely. Given the variety and potential severity of cybersecurity threats, Housatonic, Portfolio Companies, and the third-party service providers' upon which they rely may not have adequate insurance coverage to compensate against all losses.

**Global Pandemics.** The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across nearly all of the world's largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects are possible, including a further global or regional economic downturn of indeterminate duration and severity. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving and could have unpredictable results. The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds or one or more of its Portfolio Companies. The extent of the impact on the Funds and their portfolio investments' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact could include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors could limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions could constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect Funds' ability to fulfill their investment objectives. In addition, the operations of Funds, their Portfolio Companies, the General Partner and Housatonic generally could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

**Investors and prospective Investors are provided with a confidential private placement memorandum that contains a detailed description of the material risks related to an investment in the Funds, and are advised to carefully review all risk factors set forth in the relevant confidential private placement memorandum.**



## **ITEM 9 – DISCIPLINARY INFORMATION**

Housatonic is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Housatonic or the integrity of Housatonic's management. Housatonic has no legal or disciplinary information to disclose at this time.

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

The Affiliated General Partners of Housatonic serve as general partners or managing members (as applicable) to certain of the Funds and in connection therewith maintain investments in the Funds. As described in Item 6, the Affiliated General Partners are entitled to receive performance-based compensation from the Funds, which may in certain circumstances create a conflict of interest, as described in Item 6 above.

As described elsewhere in this Brochure, Housatonic generally seeks to make significant investments in Portfolio Companies. Housatonic typically seeks control or substantial minority positions in Portfolio Companies, with board representation and customary shareholder rights. As such, Housatonic's management persons may have management roles with 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 interests of the portfolio company may not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of Housatonic and such individual's duties as a director or officer of such portfolio company.

As described in greater detail under Item 11, below, Housatonic management persons may personally "seed investments" by investing in certain companies through an investment vehicle prior to Housatonic investing in the same company. This practice presents a potential conflict of interest. Housatonic manages this conflict of interest through rigorous enforcement of its Code of Ethics (as described below) and through disclosure to and consultation with the Advisory Board of the relevant Funds. Please refer to Item 11 for additional information.

Certain limited partners of Housatonic who are deemed to be "Special Limited Partners" from time to time also sit on the board of Portfolio Companies and may, on a limited basis, advise Housatonic on the business of the Portfolio Companies. Housatonic does not view their roles as presenting a potential conflict of interest but will monitor such activity with respect to Portfolio Companies.

Notwithstanding the preceding paragraph, Housatonic and their respective personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds that will neither be subject to an offset against any Management Fees payable to the Funds nor will otherwise be shared with the Funds, Investors and/or Portfolio Companies. For example, airline travel or hotel stays incurred as Fund or account expenses typically result in cash rebates, "miles," "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Housatonic and/or such personnel (and not the Funds, Investors and/or Portfolio Companies) even though the cost of the underlying service is borne by the Funds, Investors and/or Portfolio Companies.

Housatonic does not recommend or select other investment advisers for the Funds.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Housatonic's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Advisers Act. The Code applies to Housatonic's "Access Persons." Access Persons include, generally, any of Housatonic's members, officers, directors (or other persons occupying a similar status or performing similar functions) and any employee or other supervised person of Housatonic who, in relation to the Funds (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. Housatonic employees meeting the above criteria are deemed to be Access Persons. In addition, certain other individuals may also be deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Housatonic's status as a fiduciary to the Funds and requires Access Persons to place the interests of Funds above their own interests and the interests of Housatonic. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Housatonic's Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide Housatonic's Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, Housatonic's Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code also describes Housatonic's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) advisory clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of Housatonic who possess non-public information, whether or not it is material, must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to the Chief Compliance Officer. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer at [jniehaus@housatonicpartners.com](mailto:jniehaus@housatonicpartners.com).

As explained in Item 10 above, the Affiliated General Partners, which are owned by the Principals and are related persons to Housatonic, serve as the general partners of the Funds. These Affiliated General Partners also commit capital to the Funds, and as a result every investment made by a Fund involves a purchase of securities whereby related persons of Housatonic indirectly acquire an indirect interest in such securities.

Similarly, as noted above, Housatonic management persons may personally "seed investments" by investing in certain companies through an investment vehicle prior to Housatonic investing in the same company. This practice presents a potential conflict of interest that is managed through the respective Advisory Boards of the Funds (as described below).

Housatonic's Principals, Affiliated General Partners, and employees also invest in certain of the Funds but in certain cases are not subject to the management or performance-based fees described in Item 4.C above.

The fact that Housatonic's Principals, Affiliated General Partners, and employees have financial ownership interests in the Funds creates a potential conflict in that it could cause Housatonic to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed through monitoring and enforcement of the Code, in particular the personal securities transaction pre-clearance and reporting requirements described in Item 11. A. and 11. C.

In addition, each of the Funds is authorized to have an advisory board (each an “Advisory Board”). Each Advisory Board is appointed by the respective Fund’s general partner and is comprised of certain Investors in the Fund. The Advisory Board provides such advice and counsel as is requested by the Affiliated General Partners in connection with potential conflicts of interest and other Fund matters.

Housatonic further seeks to address these potential conflicts through regular monitoring of the Funds’ portfolios for consistency with objectives, strategies, and target capacity. Further, the Principals carefully consider the risks involved in any investments and Housatonic provides extensive disclosure to Investors regarding the potential risks that come with an investment in the Funds. As stated in Item 11. A., the Code requires Access Persons to place the interests of the Funds over their own or those of Housatonic, and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Further, Housatonic receives Management Fees and the Affiliated General Partners receives performance-based compensation. Performance-based compensation may create an incentive for Housatonic to make investments that are riskier or more speculative than in the absence of such performance-based compensation.

The foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are disclosed in each applicable Fund Agreement and other offering documents. Please refer to Items 5 and 6 above for additional information.

Housatonic’s Access Persons are permitted to make certain securities transactions in their Personal Accounts. This presents potential conflicts in that an employee could make improper use of information regarding a Fund’s holdings or future transactions or research paid for by the Funds. Further, an Access Person could theoretically take for himself or herself an investment opportunity available to a Fund.

Housatonic manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code, which contains strict pre-clearance and reporting requirements for Access Persons. Housatonic requires that each Access Person’s transactions in certain “reportable securities” (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code which is available to Investors upon request.

Housatonic maintains a “Restricted List” with the names of issuers of securities about which Housatonic or its affiliates (including Access Persons) have learned material, non-public information. In order to minimize the risk of improper transactions, all Portfolio Companies in which Housatonic or a client owns stock or controls one or more board seats, and if applicable, all of the publicly-traded affiliates of such companies, will be placed on the Restricted List. Access Persons are strictly prohibited from trading securities on the Restricted List.

In addition, Housatonic receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or his designee also reviews Access Persons’ personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

In certain cases, more than one Fund may invest in a given portfolio company. This may cause a conflict of interest in that Housatonic may have an incentive to allocate particularly attractive investment opportunities to the Fund that is expected to generate carried interest or to permit that Fund to exit investments at a time that would maximize its returns, potentially to the detriment of the other Fund. The Fund Agreements provide a detailed explanation as how Housatonic will manage such potential conflict.

In addition, Housatonic and the Affiliated General Partners seek to ensure that all investments made by Funds are fairly and equitably allocated.

## ITEM 12 – BROKERAGE PRACTICES

Housatonic invests in private transactions that are not executed on an exchange and does not utilize brokers. Notwithstanding the above, in the past, Housatonic has and may in the future utilize brokers and investment banks in connection with the purchase and/or sale of portfolio companies. This is typically done on a limited basis to remove restrictions from the securities and to help liquidate the securities in the open market. Any such purchases or sales will be executed in accordance with best execution. Although Housatonic generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Housatonic does not participate in any soft dollar arrangements. Research services received from brokers and dealers are supplemental to Housatonic's own research effort. Housatonic does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services.

As noted in Item 11, in certain cases more than one Fund may invest in a given portfolio company. This may cause a conflict of interest in that Housatonic may have an incentive to allocate particularly attractive investment opportunities to the Fund that is expected to generate carried interest or to permit that Fund to exit investments at a time that would maximize its returns, potentially to the detriment of the other Fund. The Fund Agreements provide a detailed explanation as how Housatonic will manage such potential conflicts. In addition, Housatonic and the Affiliated General Partners seek to ensure that all investments made by Funds are fairly and equitably allocated.

### *Principal Transactions*

Housatonic does not anticipate entering into principal transactions, where we or any of our affiliates purchase or sell any security for our own account from or to the account of any Fund. In the event that we (or our affiliate) may engage in a principal transaction, we will obtain the approval of the applicable Fund's Advisory Board.

### *Cross Transactions*

Housatonic is not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, we may engage in a cross transaction, where one Fund purchases or sells any security for its own account from or to the account of another Fund. In the event that we engage in a cross transaction, we will obtain the approval of the applicable Fund's Advisory Board.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Housatonic focuses on investments primarily in private equity. All investments are under continuous review by the Principals of Housatonic. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives. Housatonic considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

As applicable, Investors in the Funds will receive: (i) quarterly unaudited financial statements of the Funds; (ii) annual audited financial statements and an annual financial report prepared by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"); and (iii) annual tax information regarding the Fund necessary for the completion of each Investor's tax return.

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

Housatonic sponsors the formation of each Housatonic Fund, and Housatonic and its affiliates do not engage or compensate third party referral agents to solicit new clients. Housatonic may engage the use of placement agents to obtain investors for the Housatonic Funds. Any cash payments to placement agents and/or solicitors are made in accordance with the rules under the Advisers Act.

## ITEM 15 – CUSTODY

In accordance with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Housatonic is deemed to have custody of Fund assets since an affiliate of Housatonic serves as the general partner of each Fund.

All publicly held Fund assets held by Funds that are subject to annual audit, are held with “qualified custodians,” as defined in the Custody Rule (i.e., banks or broker-dealers) that are unaffiliated with Housatonic.

To ensure compliance with the Custody Rule, Housatonic will ensure that the Funds, as applicable, are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the PCAOB. Investors in such Funds will not receive statements from the custodian. Rather, the audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to each Investor within 120 days of each Fund’s fiscal year end.

Throughout the year, investors in the Funds receive periodic, unaudited financial statements from Housatonic. These statements should be carefully reviewed. Investors are urged to compare such statements to the information provided in the audited financial statements, provided by the Funds’ auditor on an annual basis.



## **ITEM 16 – INVESTMENT DISCRETION**

In accordance with the terms and conditions of the applicable Fund Agreements and subject to the direction and control of the Affiliated General Partner of each Fund, Housatonic has discretionary authority to manage the investment activities on behalf of the Funds. As explained in Item 4.C above, each Fund's investment strategy is set forth in detail in such Fund's confidential private placement memorandum. Investors do not have the ability to impose limitations on Housatonic's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective investors in the Funds are subject to the applicable Fund Agreements, which include a power of attorney.

## ITEM 17 – VOTING CLIENT SECURITIES

Given Housatonic's business as a private equity fund manager, it is anticipated that it will be extremely rare that Housatonic will receive proxies with respect to securities held on behalf of Funds. Housatonic has, however, adopted policies and procedures to vote proxy when obligated to do so. To the extent that Housatonic controls a Portfolio Company, such voting will not be required. However, there are situations where private companies could have proxy issues (e.g. a private company needs approval of investors to make changes to board of directors, auditors, etc.). In such situations, Housatonic would have authority to vote proxies on behalf of Funds (assuming that Housatonic does not otherwise have control over the Portfolio Company and exercise such authority through control of the Portfolio Company's board of directors).

When voting proxies, Housatonic will vote in the Funds' best interests, in the judgment of Housatonic to the extent reasonably practicable, and will identify and address conflicts of interest between Housatonic, its related persons and its Funds. If a material conflict is identified, Housatonic will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies). Further, Housatonic will determine whether it is appropriate to disclose the conflict to affected Investors and give such Investors the opportunity to vote the proxies in question themselves.

Housatonic keeps a record of its proxy voting policies and procedures, any proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Housatonic's response for the previous five years.

Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how Housatonic voted proxies for their account and may obtain a copy of Housatonic's proxy voting policies and procedures by contacting the Chief Compliance Officer at [jniehaus@housatonicpartners.com](mailto:jniehaus@housatonicpartners.com).

## **ITEM 18 – FINANCIAL INFORMATION**

Housatonic does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Housatonic is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Funds or Investors.

Housatonic has not been the subject of any such bankruptcy petition.