



**Part 2A of Form ADV  
The Brochure**

**Novacap Management Inc.  
Novacap Management Financial Services I Inc.**

**Novacap Management US Inc.**  
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**March 27, 2024**

This Investment Adviser Brochure ("Brochure") provides information about the qualifications and business practices of Novacap Management Inc., Novacap Management US Inc., and Novacap Management Financial Services I Inc. (each, a "Registrant" and collectively, the "Registrants"). If you have any questions about the contents of this Brochure, please contact [compliance@novacap.com](mailto:compliance@novacap.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 authority.

The Registrants are investment advisers registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.

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

**Item 2: Material Changes**

We have made certain changes to this Brochure since it was first filed on June 30, 2023. We made changes to reflect that Novacap added a new Chief Compliance Officer and changes to reflect that we have launched certain co-investment vehicles and parallel funds. Finally, we made other changes to include enhancements to disclosure regarding our compliance policies and procedures, including the code of ethics.

The Registrant's complete Firm Brochure is always available upon request by contacting the Chief Compliance Officer at [compliance@novacap.com](mailto:compliance@novacap.com).

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#### Item 4: Advisory Business

This Brochure relates to Novacap Management Inc., Novacap Management US Inc., and Novacap Management Financial Services I Inc. (collectively, “Novacap” or the “firm”). Novacap provides investment advisory services to privately offered pooled investment vehicles, including employee side funds, co-investment vehicles and continuation vehicles (each a “Fund” and collectively, the “Funds”). Novacap’s principal office and place of business is in Canada, and the firm exclusively provides investment advisory services to Funds that are domiciled in non-U.S. jurisdictions. The firm commenced operations in 1981. Novacap is principally owned by its parent company, Novacap Fund Management Inc., which is in turn owned by Novacap’s senior partners. This Brochure generally includes information about Novacap and its relationships with its clients (i.e., the Funds) and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. Limited partnership interests in the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are privately offered and sold exclusively to limited partners satisfying the applicable eligibility and suitability requirements for private transactions in the relevant jurisdiction. Persons reviewing this Brochure should not construe this Brochure as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only pursuant to Governing Documents (as defined below) in accordance with laws of the relevant jurisdiction, as applicable.

Novacap’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time the senior partners or other personnel of Novacap or its affiliates will serve on such the boards of directors of certain of the portfolio companies in which the Funds invest or will otherwise act to influence control over management of such portfolio companies.

The Funds are dedicated to sector focused investment strategies include Technology, Media, and Telecommunications (“TMT”), Digital Infrastructure (“DI”), Industries, and Financial Services. Novacap seeks to create value through this sector focused approach and each strategy has dedicated investment teams focused on value-added growth buyout investments.

Except as otherwise described below, Novacap Management Inc. is the general partner of Funds of the DI, Industries and TMT sectors and Novacap Management Financial Services I Inc. is the general partner of Funds of the Financial Services sector (in such capacity, each a “General Partner”). Novacap Management Industries III, L.P., Novacap Management Technologies III, L.P., and Novacap Partners, L.P. are general partners of earlier vintages of technology and industries funds advised by Novacap Management Inc.

This Brochure also describes the business practices of Novacap, which operates as a single advisory business. Novacap will ultimately have all decision-making authority on behalf of the Funds, with decision-making authority being delegated to Investment Committees. Therefore, all decisions relating to the investments and all portfolio companies will be made by an Investment Committee of Novacap

Management Inc. for Funds of the TMT, DI, and Industries sectors and an Investment Committee of Novacap Management Financial Services I Inc. for Funds of the Financial Services sector.

Novacap's advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a "Memorandum"), limited partnership or other operating agreements or governing documents (each, a "Partnership Agreement" and, together with any relevant Memorandum, the "Governing Documents") and are further described in Item 8 below. Investors in the Funds (generally referred to herein as "investors" or "limited partners") participate in the overall investment program for the applicable Fund but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement. The Funds or the General Partners generally enter into side letters or other similar agreements ("Side Letters") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Novacap expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors, including investors in the Funds, other sponsors, market participants, finders, consultants and other service providers, Novacap's personnel and/or certain other persons associated with Novacap and/or its affiliates. These co-investment vehicles are further described in Item 12.

As of December 31, 2023, the Registrants managed approximately USD\$7,869,500,000 in regulatory assets under management on a discretionary basis.

#### ***Novacap Management Inc.***

Novacap Management Inc., a Canadian corporation with its principal office and place of business in Brossard, Quebec ("Novacap Management"), provides investment advisory services to non-U.S. domiciled Funds whose interests are privately offered to qualified investors primarily in the United States and Canada. Novacap Management provides focused investment strategies with dedicated Funds and investment teams that invest in the North American TMT, DI, and Industries sectors. The Registrant commenced operations in 1981.

Novacap Management Inc.'s clients include Novacap International Technologies III, L.P. and its parallel funds, Novacap International TMT IV, L.P. and its parallel funds, Novacap International TMT V, L.P. and its parallel funds and Novacap International TMT VI, L.P. and its parallel funds (collectively, the "TMT Funds"), Novacap International Digital Infrastructure I, L.P. and its parallel funds (the "DI Funds"), Novacap International Industries III, L.P. and its parallel funds, Novacap International Industries IV, L.P. and its parallel funds and Novacap International Industries V, L.P. and its parallel funds (collectively, the "Industries Funds") and Novacap II, L.P. as well as a number of employee side funds, co-investment vehicles and continuation vehicles.

#### ***Novacap Management US Inc.***

Novacap Management US Inc., a Delaware corporation with its principal office and place of business in Brossard, Quebec, provides investment advisory services to non-U.S. domiciled TMT Funds and DI Funds, and related co-investment vehicles and continuation vehicles, whose interests are privately offered to qualified investors primarily in the United States and Canada. All of the officers and directors of Novacap

Management US Inc. (except for one individual) are based in the Brossard, Quebec office, while employees of Novacap Management US Inc. work from its New York, NY office. One principal of Novacap Management US Inc. is a voting member of the Investment Committees of Novacap Management Inc. for the TMT Funds and the DI Funds.

***Novacap Management Financial Services I Inc.***

Novacap Management Financial Services I Inc., a Canadian corporation with its principal office and place of business in Brossard, Quebec ("Novacap Financial Services"), provides investment advisory services to non-U.S. domiciled Funds whose interests are privately offered to qualified investors primarily in the United States and Canada. Novacap Financial Services provides focused investment strategies with Funds and investment teams that invest primarily in the North American Financial Services sector.

Novacap Financial Services' clients include Novacap International Financial Services I, L.P. and its parallel Funds (collectively, the "Financial Services Fund") and employee side funds and two co-investment vehicles.

## Item 5: Fees and Compensation

In general, Novacap receives general partner distributions (i.e., management fees, referred to herein as “GP Distributions”) in connection with advisory services to certain of the Funds and carried interest distributions. Novacap or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will generally offset the GP Distributions otherwise payable to Novacap. In addition, in certain circumstances Novacap will receive compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses. A detailed description of each Fund’s fees and expenses is set forth in the Governing Documents of each Fund. As the fees and expenses incurred by each Fund vary, prospective and current investors should review the fees and expenses listed in the applicable Governing Fund Documents for a description of all relevant fees and expenses to be paid by a Fund.

### ***Management Fees***

During the life of the Funds, Funds generally make GP Distributions to Novacap Management Inc. in the case of Funds of the DI, Industries and TMT sector and to Novacap Management Financial Services I Inc. in the case of Funds of the Financial Services sector. The GP Distributions are established by the Governing Documents and are calculated based on a percentage of committed capital during the commitment period and net invested capital thereafter. The GP Distributions are paid quarterly in advance, except that the first installment is typically due on the effective date of the relevant Fund as detailed in the Governing Documents. Novacap has in the past and anticipates that in the future it will reduce or waive the GP Distributions for certain limited partners, including employees of Novacap and their affiliates, and Novacap has in the past and anticipates that in the future it will elect not to charge any, or charge under different mechanics, GP Distributions in employee side funds and co-investment vehicles.

<b>Registrant</b>	<b>Funds</b>	<b>Annual Fee Range</b>
<b><i>Novacap Management Inc.</i></b>	TMT, DI, Industries	For TMT and Industries: 2.0% For DI: 1.5% to 1.75%
<b><i>Novacap Management US Inc.</i><sup>1</sup></b>	TMT, DI	For TMT: 2.0% For DI: 1.5% to 1.75%
<b><i>Novacap Management Financial Services I Inc.</i></b>	Financial Services	1.8% to 2.0%

The above chart reflects the GP Distribution rates charged to more recently launched Funds. Certain earlier vintage Funds did not incur management fees or GP Distributions, and other earlier vintage Funds charged such fees based on committed capital during the commitment period and net invested capital thereafter.

### ***Other Compensation***

GP Distributions are reduced by certain compensation received by Novacap and current affiliates in accordance with a Fund’s Governing Documents, including directors’ fees and any monitoring, transaction

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<sup>1</sup> As described above, Novacap Management US Inc. employs a member of the Investment Committee for the TMT Funds and DI Funds, the adviser of which is Novacap Management Inc.

fees (including without limitation, restructuring, syndication, topping, and break-up fees), advisory, banking, consulting or other similar fees or equity received (including without limitation, board fees, stock options, or restricted stock units), net of expenses. The specific calculation methodology and more detailed descriptions of the types of expenses and income subject to fee offsets is described in the Governing Documents.

### ***Carried Interest***

Affiliates of Novacap are generally entitled to receive carried interest with respect to the Funds of 20% of all realized profits after an 8% preferred return, but subject to a 100% catch-up, subject to the terms of each Fund's Governing Documents. However, Novacap has in the past and anticipates that it will in the future reduce or waive carried interest for certain limited partners, including employees of Novacap and their affiliates. Novacap has in the past and anticipates that it will in the future elect not to charge any carried interest in employee side funds and co-investment vehicles and, with respect to certain Funds that are structured as continuation vehicles, may increase the preferred return to be achieved before being entitled to receive 20% of such Funds' realized profits. A description of carried interest is included in Item 6.

### ***Fund Expenses***

As disclosed in the Governing Documents, the Funds incur all expenses related to their operations. These expenses are substantial and will reduce the returns realized by investors on their investment in the Funds (and will reduce the amount of capital available to be deployed by the Funds in investments). The below expenses may not be applicable to all of the Funds. To the extent permitted under the applicable Governing Documents, each Fund generally bears the following types of expenses:

- organizational expenses incurred by the Funds, the General Partner, or Novacap in connection with the start-up or organization of a Fund including all printing, legal, accounting, travel, marketing, virtual data room and other fees;
- operating expenses of the Fund including all fees and expenses of professional and similar services such as legal, accounting, consulting, appraisal, marketing, audit, investment banking, brokerage, reporting, valuation, financing, tax preparation, research, risk management, due diligence, administrator services, expert networks, information technology (including acquiring, developing, implementing or maintaining any virtual data room, software, hardware, or other technological system or database), news quotation or other research or information database subscriptions, all fees and expenses of maintaining the Funds's books and records, and all filing and similar fees paid on behalf of the Fund;
- all fees, compensation and other expenses associated with companies and individuals retained by the Funds to provide operational support, due diligence, research, specialized operations or consulting or similar or related services to, or in connection with, the Fund or one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies or prospective portfolio companies, including with respect to transactions that are not consummated;
- fees and expenses, including travel fees and expenses incurred by the General Partner or Novacap related to research, discovery, sourcing, investigation, diligence, negotiating, structuring, hedging, making, holding, developing, operating, managing, monitoring, restructuring,



refinancing, or disposing of investments, including, without limitation, with respect to transactions that are not consummated. Travel fees and expenses include, without limitation, related accommodation, dining, entertainment fees and expenses, and first class and/or business class commercial airfare, whether actually incurred or incurred as the deemed cost of using or chartering private aircraft or other private air travel (including the use of a private aircraft owned or partially owned by Novacap, any of its affiliate or any of their respective owners); provided, that the Funds will only pay the equivalent of a first-class commercial ticket with respect to each employee, director and partner of the General Partner and Novacap and other passengers (*e.g.* external lawyers, consultants, service providers of Novacap) using such private aircraft;

- fees and expenses relating to compliance with tax, securities law or other legal or regulatory requirements applicable to the Fund (including without limitation registration or other compliance obligations related to, or arising as a result of, the offering and sale of interests in the Fund in any jurisdiction);
- all fees and expenses related to the organization, establishment, maintenance and administration of any alternative investment vehicles or any intermediary or special purpose entity used to acquire, hold or dispose of an investment or to otherwise facilitate the Fund's investment activities, insurance, custody, depositary, transfer, registration and similar fees and expenses incurred by the Fund;
- insurance premiums and other fees and expenses relating to any director and officer liability, general partner liability, errors or omissions, or other insurance (such as cybersecurity insurance);
- brokerage and finders' fees and commissions and discounts incurred in connection with the purchase or sale of securities – please see Item 12 for a discussion regarding brokerage practices;
- fees and expenses, including interest, in connection with any borrowing or guarantees by the Fund, including financing fees and other fees and expenses in connection with establishing a credit facility or arising from any letter of credit;
- expenses of a Fund's Limited Partner Advisory Committee ("LPAC"), including set-up costs, speaker fees, honorarium and travel expenses in connection with meetings of the LPAC and expenses of counsel to the LPAC;
- extraordinary expenses, such as threatened or actual litigation and the enforcement of litigation, indemnification costs, expenses, judgments and settlements;
- taxes and other governmental charges, fees and duties, along with all related filing fees and tax consulting fees, fees relating to tax audits or investigations, and any related interest and penalties;
- fees and expenses incurred in connection with meetings of one or more Limited Partners and related activities, including, without limitation, travel fees and expenses incurred by Novacap or the General Partner in connection with such meetings and activities, fees and expenses incurred in providing reports and notices to Limited Partners (including software expenses for such reporting, communication, and capital calls), and fees and expenses associated with making capital calls from and distributions to Limited Partners;
- all fees and expenses in connection with the dissolution, liquidation, and termination of a Fund;

- Broken deal expenses in connection with unconsummated transactions;
- Other fees, costs and expenses which in the opinion of the General Partner are necessary to conduct the business and affairs of the funds, including fees, costs and expenses related to the annual general meeting; and
- All interest, fees, expenses and other amounts payable in connection with any indebtedness.

Novacap's employees will, from time to time, serve on the boards of directors of the portfolio companies in which the Funds have made, or propose to make, an investment and provide management, consulting, transactional and other services to such portfolio companies or to others and will be reimbursed for certain expenses incurred in connection with such activities and services from portfolio companies and from other persons, other than the Funds. Examples of reimbursable expenses include travel to/from board meetings and expenses of outside legal counsel, accountants, financial advisors, consultants, and other professional advisors related to the portfolio company. To the extent Novacap receives directors or other fees or compensation from portfolio companies, such fees are remitted to the General Partner and are 100% offset against GP Distributions. For certain publicly held portfolio companies, employees receive stock-based compensation in connection with their roles as director and in order to avoid a taxation for the employees, the employee will keep the stock-based compensation and the General Partner will reduce their salaries for an equivalent amount. The equivalent amount will offset the GP Distributions. If there is no salary to be reduced, then the employee will remit the net after tax stock-based compensation.

#### ***Allocation of Expenses***

Novacap is required to determine whether or how costs and expenses will be allocated among the Funds, including any parallel Funds, and will make such determinations in accordance with Governing Documents and established policies and procedures. Subject to any relevant restrictions or other limitations contained in the Governing Documents, Novacap will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant. In some instances, an expense will be initially borne entirely by one Fund with subsequent allocation of such expense to one or more other Funds or third parties, including a portfolio company. Expense allocation determinations are subjective and require judgment on the part of Novacap and are made in a manner determined by Novacap in its sole discretion.

Any expenses related to co-investments will generally be borne by the applicable Fund and any parallel Fund, including any employee side Fund, and co-investment vehicle in proportion to capital invested or committed by each in such investment. In certain cases, co-investors or portfolio companies will not agree to bear any or all of their share of expenses incurred on their behalf. Such parties will benefit from the goods or services related to the expenses, and the expenses may be borne in their entirety by the applicable Fund and any related parallel Fund, including any employee side fund, pursuant to the terms of Governing Documents.

Notwithstanding the foregoing, Novacap will use commercially reasonable efforts to cause co-investors to bear their share of any expenses in connection with unconsummated investments. In cases where co-investors do not agree to pay their share of such expenses, all broken deal expenses incurred are borne entirely by the applicable Fund (together with any parallel Fund).

Neither Novacap nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

Prospective and current investors must review the applicable Governing Documents for a more detailed discussion and understanding of the expenses they will incur, and of the fees and other compensation that Novacap will obtain or receive from, or in connection with, Novacap's clients.

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

As described under Item 5, Novacap Management and Novacap Financial Services and/or certain of their respective affiliates receive a carried interest allocation on certain realized profits in the Funds. Novacap exclusively advises Funds that are subject to a carried interest (other than employee side Funds and certain co-investment vehicles) and as a result, Novacap does not face the conflicts of interest that arise when an adviser accepts performance-based fees from some clients, but not from other clients.

The existence of performance-based compensation creates an incentive for a Fund's General Partner to make more speculative investments on behalf of such Fund than it would otherwise make in the absence of such arrangement, although Novacap generally considers performance-based compensation to better align its interests with those of its investors. Such performance-based compensation also creates an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. However, Novacap has policies and procedures in place to allocate investments to clients on a fair and equitable basis, taking into account a variety of factors, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Please see Item 11 for more information regarding investment allocations.

**Item 7: Types of Clients**

The Funds include investment partnerships or other investment entities formed under non-U.S. laws. The Funds are exempt from the definition of “investment company” as defined under the Investment Company Act of 1940, as amended. The investors participating in the Funds include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and include, directly or indirectly, principals or other employees of Novacap and its affiliates and members of their families, consultants, or other service providers retained by Novacap, as well as executives of portfolio companies.

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

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

### ***General***

Novacap is a middle-market private equity investment firm focused on leveraged buyouts, investments in the TMT, DI, Industries and Financial Services sectors. Novacap's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of nonpublic companies, although investments in public companies are permitted.

Novacap's investment strategy for the Funds is principally to make privately negotiated investments in middle-market companies within the TMT, DI, Industries and Financial Services sectors. Novacap focuses on those segments it believes have attractive long-term fundamentals. Among other considerations, Novacap pursues opportunities where it believes it has a competitive advantage based on previous experience, industry relationships or in-depth knowledge of the subsector. Additionally, the Funds seek to enhance the post-acquisition operating performance of their investments through the involvement and oversight of investment deal teams and Novacap's operations team.

Novacap seeks to serve as the lead investor in the Funds' transactions and focus primarily on opportunities in North America, though portfolio company operations exist in other regions.

Once an investment opportunity has been identified, Novacap seeks to improve the performance of the acquired company by, among other things: (i) developing short- and long-term value enhancement plans, (ii) working to increase the effectiveness and engagement level of the company's board of directors, (iii) assessing, developing and possibly adding to the company's senior executives, and (iv) creating a customized support structure including performance tracking and reporting standards as well as access to Novacap and external resources.

The descriptions in this Brochure of Novacap's advisory services and the investment strategies pursued and the investments made by Novacap on behalf of its clients, should not be understood to limit in any way Novacap's investment activities. Novacap has in the past and may in the future offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that it considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Novacap pursues are speculative and entail substantial risks. There can be no assurance that Novacap will achieve the investment objectives of any Fund and a loss of investment is possible.

### ***Investment Criteria and Selection Process***

The investment criteria framework below is provided for informational purposes only and does not represent a comprehensive list of potential investment factors and considerations. The Investment Committee will assess the general suitability of investment opportunities based on a variety of criteria, including but not limited to: management team, proven business model, differentiation, capex intensity, market opportunity, structure protection, capital requirement, location, valuation and exit strategy.

The following describes the general framework for our investment analysis approach. However, specific steps for each transaction will differ.

## *Four Phase Investment Analysis Approach*

### *Phase 1: Deal Sourcing and Filtering*

The Investment Committee screens for attractive investment opportunities by seeking to leverage Novacap's network of relationships. Novacap uses several technology tools to identify, screen and track relevant targets as well as track direct calling efforts and intermediated processes. In addition, the Investment Committee and Business Development Team proactively cover what Novacap believes to be the most relevant investment banks and advisors who can provide actionable intelligence on companies that are coming to market or provide early looks/fireside chats to companies they will be bringing to market. Intermediary data points may be supplemented by Novacap's own assessment once an actionable opportunity is identified. This process helps to enable filtering of a large pipeline of opportunities and confirm initial interest prior to the formal creation of a deal team which will further vet the opportunity. The typical criteria in this filtering process includes:

- Profitable, lower middle-market company in North America;
- Preference to be the first institutional investor in the business;
- Ability to be the control investor;
- Management and/or current key shareholders have a willingness to roll over a portion of their proceeds as part of the contemplated transaction;
- Novacap has a prior relationship with the business; and
- The business faces traditional growth challenges (*e.g.*, access to capital) to pursue its next phase of growth.

### *Phase 2: Deal Teaser and Indication of Interest*

If interest in the opportunity is confirmed, a deal team is created to prepare an internal presentation known as the Deal Teaser ("Deal Teaser"). This initial presentation describes the main segments of the business, growth prospects, competitive landscape, general industry trends, a preliminary investment thesis and list of potential risks and/or considerations, and a preliminary investment return analysis along with a proposed preliminary valuation and offer. The Deal Teaser is then presented to the Investment Committee, where it is discussed and debated, and typically results in the identification of additional due diligence considerations. Notably, while the senior investment professionals typically lead the discussion, team members from all Novacap departments (legal, finance, operations, HR, investor relations, business development and investment professionals) ask questions and provide feedback. The Investment Committee will then reach a decision on whether to move forward with the deal, and if so, determine an initial valuation. Following the Investment Committee's approval, the deal team will submit a non-binding Indication of Interest ("IOI").

### *Phase 3: Due Diligence, Deal Alert and Letter of Intent*

The deal team will then commence formal initial business due diligence upon acceptance of the IOI by the target. Deals are reviewed and discussed during Investment Committee meetings, where the deal team will provide updates on interim due diligence findings and process dynamics while the Investment Committee frequently identifies additional due diligence considerations. The due diligence process has in

the past and may in the future include hiring third-party advisors to conduct tax, financial, legal and market diligence (including a review of the competitive landscape, market demographics, and estimate of the total addressable market opportunity). A due diligence checklist is designed and maintained to manage the whole process, and the deal team will hold internal regular touchpoints as well as interim touchpoints with all third-party advisors to ensure that workstreams are progressing on-plan and that any material red flags are proactively identified and addressed.

Novacap's internal due diligence workstreams involve a detailed analysis of any information provided in the data room, building a detailed financial model, and holding several meetings with management and other key employees to gain a comprehensive understanding of the business. Typically, the deal team will spend significant time to understand management's growth strategy and assess whether there is alignment between management and Novacap with regards to the overall strategic vision for the company.

Novacap's Operations Team, together with the deal team, will also conduct diligence sessions with the company to perform a detailed review of cybersecurity products and systems, and sales and marketing functions to assess whether the appropriate resources are in place at the company to support sustained growth. Additional meetings with the company will be held to address other key diligence points as needed.

The scope of due diligence conducted prior to submission, or after execution, of an LOI will vary.

Novacap manages most of the financings in-house; the deal team will work together with Novacap's financing team to select the most suitable financial partners for the transaction by leveraging the Adviser's long-standing relationships with prominent Canadian and North American financial institutions in order to select the right partners, and optimize financing terms in the circumstances.

Findings from due diligence are used to validate transaction assumptions and put together or discuss a short-form, preliminary Value Creation plan which outlines the near-term opportunities for operational optimization identified during due diligence. Prior to the submission of an LOI, a deal alert presentation is prepared and presented to the Investment Committee, outlining the Investment Team's findings and conclusions, returns analysis, and proposed final offer for an LOI. The Investment Committee will then deliberate and provide its decision on whether to submit an LOI. If any significant issues are identified over the course of confirmatory due diligence following submission of the LOI, the Investment Committee may decide to either revise or withdraw from the transaction.

#### Phase 4: Signing, Closing, and Value Creation Plan

Upon receipt of a countersigned LOI from the target, the deal team will then complete any remaining confirmatory due diligence and complete negotiations and finalization of all legal agreements. When Novacap believes there is a high probability of signing definitive agreements, the team will convene a Limited Partner Advisory Board meeting prior to the signing date to provide an overview of the investment and solicit feedback. The deal team will also present the findings from confirmatory due diligence to the Investment Committee in a formal due diligence presentation prior to signing. If there are significant issues in the due diligence, the Investment Committee might decide to revise or withdraw from the transaction. After the Investment Committee approves the transaction, the deal team will then execute all legal agreements and file for all necessary regulatory approvals, in the case that any are required. Following a successful signing, the deal team's focus will turn to executing on the near-term, high priority objectives of the preliminary Value Creation plan which were identified during the due diligence process.



Closing of the transaction will occur upon receipt of all closing conditions or necessary regulatory approvals (if any).

The deal team will then work together with the Operations Team to draft or discuss the Value Creation plan, which will be executed and adjusted, if necessary, over the investment period.

### **Risks of Investment**

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that Novacap will be able to choose, and the Funds will be able to make and/or realize, any particular investment or that the Funds will be able to generate returns for their investors. Investments in the Funds involves a high degree of risk and the Funds are suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of loss of all or a substantial part of such investment. The purchase of interests involves a number of significant risks relating to investments in limited partnerships generally and relating to the structure and investment objectives of the applicable Fund in particular. There is no assurance that the applicable Fund's investment objective can be achieved. In addition, there can be no assurance that any investor will receive any distribution from the Funds.

Further, all decisions with respect to the Funds will be taken by the General Partner. Investors will have no right to make any decisions with respect to the selection or management of any investment, or any other business decision regarding the Funds. The General Partner will utilize investment professionals and other personnel who are not guaranteed to remain with the General Partner.

The risk factors contained below include an overview of the material risks related to Novacap's investment strategies and do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks that Novacap believes to be material, significant or unusual and that relate to particular, significant investment strategies or methods of analysis employed by Novacap. While all clients and investors are encouraged to review the disclosures in this item, not all risk factors or portions thereof may be applicable to a particular client's investment strategy, particularly as it relates to an investment in a co-investment vehicle. **To understand all relevant risks and potential conflicts of interest, investors should carefully review the Governing Documents for each Fund prior to making an investment.**

#### *World Events and Economic Conditions*

Portfolio companies in which Novacap invests are sensitive to adverse changes in the overall economy or in their specific industries. The extent of any epidemic or pandemic (such as the recent COVID-19 pandemic), and the duration and intensity of any resulting business disruption and related financial and social impact, is uncertain, and such adverse effects may be material. The operations and business results of portfolio companies could be materially adversely affected by these events. The extent to which any pandemic or epidemic impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted.

In addition, terrorist attacks, geopolitical uncertainty, threat of war, and recessionary economic conditions could affect the businesses of certain of the portfolio companies in which Novacap invests. These circumstances have created uncertainties in the financial markets that could adversely affect the ability of the Funds to realize investments and the values that are realized. Further, certain economic factors specific to a portfolio company may have an adverse effect on Novacap.

### *Nature of Securities*

The securities in which the Funds will invest have in the past and may in the future include common share securities, preferred share securities and debt securities, which are unsecured or subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity.

### *Leverage*

To the extent that the Funds make any investment in a portfolio company with a leveraged capital structure, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such portfolio company or its industry. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Fund's investment could be significantly reduced or even eliminated.

### *Lack of Portfolio Liquidity*

A significant proportion of the Funds' investments will consist of illiquid investments. These investments are subject to various risks, particularly the risk that the Funds will be unable to realize its investment objectives by sale or other disposition of its portfolio companies at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Funds are prohibited by contract from selling securities of their portfolio companies for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made have in the past and may in the future require a substantial length of time to liquidate. There can be no assurance that a public market will develop for any of the Funds' investments or that the Funds will otherwise be able to realize such investments.

### *Foreign Investment Laws*

Canadian federal or provincial legislation or regulations may require that certain of the Fund's investment activities be subject to review as a consequence of the fact that certain of its limited partners or parallel investors may be "non-Canadians" for the purposes of such legislation or regulations. Conversely, the laws and regulations of non-Canadian jurisdictions, including applicable U.S. law, similarly may require that certain of the Fund's investment activities be subject to review as a result of the Fund's being domiciled outside of such jurisdictions.

### *Tax Risks*

Prospective Investors are urged to consult their own tax advisors with respect to their own tax situation and the effects of their investment in a Fund. There can be no assurance that the structure of the Funds or any investments made by the Funds will be tax efficient for any particular Investor. Further, in general, tax laws, rules and procedures are extremely complex and are subject to change, which in some cases have retroactive effect.

### *U.S. Tax Exempt Investors*

The Funds have in the past and may in the future engage in transactions that could generate "unrelated business taxable income" for certain U.S. tax-exempt Investors.

### *Non-U.S. Investors*

The Funds have in the past and may in the future engage in transactions that could generate “effectively connected income” that would subject a non-U.S. Investor to taxation in the United States.

### *Risks Associated with Investments in Infrastructure Assets*

Some of the Funds’ investments will be subject to the risks incidental to the ownership and operation of infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, the ability of the Funds to manage the investment, government regulations and fluctuations in interest rates. Since investments in infrastructure and similar assets, like many other types of long-term investments, have historically experienced significant fluctuations and cycles in value, specific market conditions in some cases result in occasional or permanent reductions in the value of the portfolio companies. If the company’s ability to operate an infrastructure asset is subject to a concession or lease from the government, the concession or lease may restrict its ability to operate the asset in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances (such as a default by the portfolio company) without requiring it to pay adequate compensation.

### *Regulatory and Legal Risks*

Many, if not all, of the applicable Funds’ investments will be in entities or assets that are subject to substantial regulation by governmental agencies. In addition, their operations often rely on governmental licenses, concessions, leases or contracts that are generally very complex and may result in disputes over interpretation or enforceability. If any portfolio companies fail to comply with these regulations or contractual obligations, they could be subject to monetary penalties or lose their rights to operate, or both. In addition, governments also have the discretion to change (including, without limitation, by reducing rates or allowed rates of return) or increase regulation of the operations of the portfolio companies or to implement laws, regulations or policies affecting their operations, separate from any contractual rights that the governments have. Such new laws, regulations or policies may require the Funds to restructure a portfolio company or obtain additional licenses or approvals, which such restructuring, licenses or approvals may be costly and cause delays in acquiring, disposing of or implementing change at such portfolio company. Governments have considerable discretion in implementing regulations and policies that could impact these portfolio companies and are influenced by political considerations and make decisions that materially and adversely affect such portfolio companies and their operations.

Each of Novacap Management Inc., Novacap Management US Inc., and Novacap Management Financial Services I Inc. is registered with the SEC as an investment adviser. Under SEC interpretive guidance, SEC-registered investment advisers, like Novacap, that have a principal office and place of business outside the U.S. but do not have U.S. clients (e.g., U.S.-domiciled funds) are not required to comply with certain substantive provisions of the Advisers Act and the rules thereunder. There is a risk that the SEC could amend its historic interpretive guidance with respect to investment advisers that are similarly situated to Novacap and in that case, or if Novacap begins to provide investment advisory services to U.S. clients, additional requirements under the Advisers Act will apply to Novacap and the advisory services it provides to the Funds.

### *Public Infrastructure Risks*

Portfolio companies may control public infrastructure that constitute significant strategic value to public or governmental bodies. Such assets may have a national or regional profile and may have monopolistic characteristics. The very nature of these assets could create additional risks not common in other industry sectors. Given the national or regional profile and/or irreplaceable nature of certain strategic assets, such assets constitute a higher risk target for terrorist acts or political actions, such as expropriation. Given the essential nature of the services provided by certain public infrastructure, there is also a higher probability that if an owner of such assets fails to make such services available, users of such services may incur significant damage and may be unable to replace the supply or mitigate any such damage, thereby heightening the risks of third-party claims. These assets are also impacted by the interests of local communities and stakeholders, which affect the operation of such assets. Certain of these communities have in the past and may in the future develop interests or objectives which are different from, or even in conflict with, the owners of such assets.

### *Potential Risks Arising from Foreign Acquisitions of Infrastructure*

There are several U.S. and non-U.S. rules and regulations concerning foreign investment in infrastructure that could impact the business of infrastructure investment. For example, certain investments by the applicable Fund in the U.S. have in the past and may in the future be considered foreign direct investment. Foreign direct investment that implicates U.S. national security may be subject to review under the Exon-Florio Amendment to the U.S. Defense Production Act of 1950. The Exon-Florio Amendment, as amended by the U.S. Foreign Investment and National Security Act of 2007 ("FINSA"), authorizes the Committee on Foreign Investment in the United States ("CFIUS") and the President of the United States to determine whether a particular transaction resulting in foreign control of a U.S. enterprise poses a risk to national security.

If the applicable Fund is investing in transactions for which CFIUS approval is being sought, the Fund and the U.S. Government might address perceived threats to national security through mitigation measures, including contractual undertakings with the U.S. Government, board resolutions and proxy agreements. It is uncertain, however, whether the time to negotiate any such measures or the length of the CFIUS review process could place the Funds at a competitive disadvantage to U.S. purchasers not subject to CFIUS approval. It is also uncertain whether any such mitigation measures could effectively impose significant operational restrictions on the General Partner or the Funds. Should CFIUS approval, or other regulatory approval, be a closing condition to a prospective transaction, there is a risk that such approval will not be granted and the Funds will have to bear the costs and expenses relating to such unconsummated transaction, in addition to the risk that disadvantageous conditions are imposed. Similar rules or regulations exist in non-U.S. jurisdictions which would subject the Funds to comparable risks.

### *Environmental Risks*

The operation of portfolio assets is subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants.

Under various environmental statutes, rules and regulations of the appropriate jurisdiction, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal

or remediation of hazardous materials. These laws often impose liability whether or not the owner or operator knew of or was responsible for, the presence of hazardous materials. Environmental statutes, rules and regulations can also change or a condition at a portfolio company can change and lead to liabilities or obligations that did not exist or were not foreseen at the time of the investment. The presence of hazardous materials on a property could also result in personal injury, property damage or similar claims by private parties.

Persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. Any liability of portfolio companies resulting from non-compliance or other claims relating to environmental matters or any costs related to coming into compliance could have a material adverse effect on the value of the Funds' investments in such portfolio companies.

#### *Unforeseen Events Risk*

The use of portfolio assets may be interrupted or otherwise affected by a variety of events outside of Novacap's control, including serious traffic accidents, natural disasters (such as fire, floods, earthquakes and typhoons), man-made disasters (including terrorism), defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, toll rates, fuel prices, environmental legislation or regulation, general economic conditions, labor disputes and other unforeseen circumstances and incidents. Certain of these events have affected portfolio assets in the past and if the use of the infrastructure assets operated by portfolio companies is interrupted in whole or in part for any period as a result of any such events, the revenues of such portfolio companies could be reduced, the costs of maintenance or restoration could be increased and the overall public confidence in such infrastructure assets could be reduced. There can be no assurance that such portfolio companies' insurance would cover liabilities resulting from claims relating to the design, construction, maintenance or operation of the infrastructure assets, or increased expenses resulting from such damage.

#### *Construction Risk*

To the extent that the applicable Fund invests in projects that involve significant construction, such as greenfield development, there is a risk that such projects will not be completed within budget, within the agreed timeframe or to the agreed specification, which may result in significant delays, increased costs or delays in the commencement of cash flow generation. Such unexpected delays or costs may result in increased debt service costs and the inability of project owners to meet the higher interest and principal repayments arising from the additional debt requirement. In addition, there could be insufficient funds to complete construction. Delays in project completion may also affect the scheduled cash flow necessary to cover the debt service costs and operation and maintenance expenses. These risks may be mitigated by provisions in construction contracts for payment of liquidated damages by the construction contractors. However, the Funds may not benefit from such provisions and may be exposed to any losses not covered by such provisions or to the financial failure of the contractors.

#### *Demand and Usage Risk*

Although the Funds expect to target assets with low demand, usage and throughput risk, residual demand, usage and throughput risk can affect the performance of portfolio companies. To the extent that Novacap's assumptions regarding the demand, usage and throughput of assets prove incorrect, returns to the Funds could be materially and adversely affected.

### *Operational Risk*

The long-term profitability of the assets in which the Funds invest will be dependent upon the efficient operation, maintenance and high availability of such assets. Inefficient operations, maintenance and low availability will reduce returns to Limited Partners. Operations are also subject to the risk of equipment failure due to wear and tear, latent defect, design error, operator error, or early obsolescence, among other things, which could have a material adverse effect on the assets, liabilities, business, financial condition, results of operations and cash flow of investments.

### *Reliance on Portfolio Company Management*

With respect to management at the portfolio company level, many portfolio companies rely on the services of one or a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. There can be no assurance that the existing management team of a portfolio company, or any new team, will be able to successfully operate such portfolio company or will meet the Funds' expectations. Although Novacap expects to monitor portfolio company management, management of each portfolio company will have day-to-day responsibility with respect to the business of such portfolio company. In addition, certain portfolio companies will operate in highly regulated environments, and the Funds will likely rely on the management teams to manage their activities in a manner consistent with applicable laws and regulations (including, without limitation, the U.S. Foreign Corrupt Practices Act and other anti-corruption, anti-bribery and anti-boycott laws, regulations and orders) and in a manner which will permit such portfolio company to maintain a quality reputation. If a portfolio company acts inconsistently with applicable laws and regulations or takes actions that cause such portfolio company disrepute, such actions will adversely affect the Funds, as an investor in the portfolio company, and may damage the Funds' reputation, which may adversely impact the Funds' ability to complete investments in other portfolio companies and the Funds' ability to realize its investment objective.

### *Labor Relations*

Certain portfolio companies will have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any such portfolio company's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on favorable terms, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties or delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more portfolio company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such issues may also bring scrutiny and attention to the Funds themselves, which could adversely affect the Funds' ability to implement their investment objectives.

### *Extensive Regulatory Requirements in the Communications Industry*

Certain companies in the communications industry are subject to extensive U.S. federal, state, local and foreign regulatory requirements. Regulations that are intended to limit the concentration of ownership and control of communications companies have in the past and may in the future prevent the Funds from making certain investments that they would otherwise make. Other regulations cause substantial additional costs or lengthy delays in connection with the completion or disposition of an investment.

### *New Technologies*

The Funds invest in portfolio companies that invest in and use newly developed, less proven, technologies. There is no guarantee that such new technologies will perform as anticipated. The failure of a new technology to perform as anticipated or becoming obsolete will likely materially and adversely affect the performance of portfolio companies that invest in or use such technologies.

### *Rapidly Changing Technologies*

The Funds' investments are characterized by rapidly changing technology, evolving industry standards and regulatory frameworks and frequent new product introductions and enhancements. The future success of investments will depend in part on an ability to anticipate and adapt to new products and changing technologies, including, without limitation: new processes to deliver power to, or eliminate heat from, computer systems; customer demand for additional redundancy capacity; new technology that permits higher levels of critical load and heat removal than data centers in which the Funds invest may be currently designed to provide; and greater power supply requirements relating to new, updated or upgraded technology. There can be no assurance that the Funds will do this successfully or in a timely fashion or that the Funds' currently anticipated investments will satisfy future market demand or allow the Funds to compete successfully in applicable markets. There can also be no assurance that the technology on which the Funds' investments are expected to depend, including the use of mobile or web-based commerce and the use of colocation data centers rather than the public cloud, will not be adversely affected by new technologies or rendered obsolete. Additionally, the Funds cannot be sure that it will have sufficient resources to make adequate investments in research and development or identify trends in connection with adapting to or accommodating any technological advances. Further, unanticipated changes in industry standards or regulatory requirements could require the Funds to invest significant time and resources to ensure the continued compliance of the Funds and their investments, which could negatively impact its ability to devote time and resources to other aspects of its investments and could adversely affect the results of the Funds.

### *Fiber-Optic and Wireless Competitive Market*

The Funds invest in fiber-optic communications and wireless infrastructure. Such investment opportunities are highly competitive due in part to, among other factors, the concentrated nature of the communications industry. The Funds will frequently compete against market participants with more established relationships within the communications industry or greater access to resources than that of the Funds. In particular, the highly intensive build-out process required for the wide-scale adoption of 5G will favor infrastructure providers with established relationships with communication companies. There can be no assurance that the Funds will be able to acquire or capitalize upon these relationships in a manner sufficient to compete with market incumbents.

In addition, technology in the fiber-optic communications and wireless infrastructure industry is rapidly changing. There can be no assurance that the Funds will be able to obtain or otherwise secure rights to future technologies necessary for the Funds to effectively compete within these sectors. In addition, rapid changes in technology may significantly increase the risk that investments by the Funds in these sectors may be rendered obsolete due to technological changes. As a result, the value of the Funds' investments in such assets would be significantly reduced.

### *Cybersecurity Risks*

Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company, Fund, General Partner, Novacap or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Novacap, the Funds and/or portfolio companies will incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Novacap's, the Funds', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Novacap or one of its service providers holding its financial or investor data, Novacap, its affiliates or the Funds will also be at risk of loss, despite efforts to prevent and mitigate such risks under Novacap's policies and practices.

### *Business, Terrorism and Catastrophic Event Risks*

The Funds will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Novacap's business and investments made by the Funds.

### *Environmental, Social and Governance Matters*

Novacap maintains an Environmental, Social and Governance ("ESG") policy and will seek to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Novacap will be able successfully to implement its ESG policy or to make investments in companies that create a positive ESG impact while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Novacap, or any judgment exercised by Novacap, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what positive ESG characteristics mean by region, industry and topic. Novacap's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment,



Novacap expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Novacap to incorrectly assess a company's ESG practices and/or related risks and opportunities. Novacap does not intend independently to verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on Novacap's view of certain ESG-related and other factors and could cause the relevant Funds not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG Policies, which could negatively impact Novacap's performance. For avoidance of doubt, however, Novacap does not expect to subordinate a Fund's investment returns or increase a Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Novacap's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. ESG matters have been the subject of increased focus by regulators in the U.S. and European Union, among other jurisdictions, which has resulted in, among other things, efforts to improve transparency regarding the definition, measurement and disclosure of ESG factors. Novacap's ESG policies could become subject to additional regulation in the future, and Novacap cannot guarantee that its current approach will meet future regulatory requirements.

#### *Co-Investments*

The Funds expect to participate with co-investors in certain investments. These arrangements are typically driven by the magnitude of capital required to complete investments and other industry-wide trends. Such arrangements involve risks not present where a third party is not involved, including the possibility that co-investors will become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, co-investors will at any time have economic or other business interests or goals different from the Fund. Joint ventures, partnerships and consortium investments generally provide for a reduced level of control over an investment because governance rights are shared with others. Accordingly, decisions relating to the underlying operations, including decisions relating to the management and operation and the timing and nature of any new investment or exit, are often made by a majority vote of the investors or by separate agreements that are reached with respect to individual decisions.

#### *Risk of Failure of Critical Systems*

The critical systems of the data center facilities that certain Funds invest in and the services it provides are subject to failure. Any failure in the critical systems of any such data center facility or services, including a breakdown in critical plant, equipment or services, such as the cooling equipment, generators, backup batteries, routers, switches, or other equipment, power supplies, or network connectivity, whether or not within the Funds' control, could result in service interruptions and data losses for customers as well as equipment damage, which could significantly disrupt the normal business operations of customers and harm the Funds' reputation, reduce its revenue and result in civil damages payable by the Funds to customers or other parties. Any failure or downtime in one of the data center facilities the Funds operate could affect many of its customers. The total destruction or severe impairment of any such data center facilities the Funds operate could adversely affect the Funds' returns.

### *Data Privacy Regulations*

Evolving data privacy regulations, including the General Data Protection Regulation (the “GDPR”) of the European Union (the “EU”), the California Consumer Privacy Act (the “CCPA”), and the Act respecting the protection of personal information in the private sector (the “Quebec Privacy Law” and together with the GDPR, the CCAP, and other applicable data privacy laws, the “Privacy Laws”) may subject the Manager, the General Partner and the Funds to significant penalties. In May 2018, the GDPR came into effect, and changed how businesses can collect, use and process the personal data of EU residents. In June 2018, California enacted the CCPA with effect as of January 2020 which regulates the processing and use of personal data of residents in California. While similar to the GDPR, the scope of activities regulated under the CCPA differs in material respects from GDPR and when considered in conjunction with obligations imposed under the GDPR effectively broadens data privacy compliance obligations. The Quebec Privacy Law, which came into force on September 22, 2023, brought the Quebec Privacy Law closer in line with GDPR.

Privacy Laws commonly have extraterritorial effect and impose mandatory duties on businesses to self-report personal data breaches to authorities, and, under certain circumstances, to affected individuals. Privacy Laws also frequently grant individuals the right to erasure (commonly referred to as the right to be forgotten), which will put a burden on companies in possession of personal data, including the Manager or portfolio companies, to invest to erase records upon request. Compliance with Privacy Laws will increase legal, compliance and operational costs. Non-compliance with the Privacy Laws’ requirements can result in significant penalties, which would have a material adverse effect on the Manager and/or a portfolio company’s business and reputation.

Other jurisdictions, including certain U.S. states, Canadian provinces, and other jurisdictions have also enacted or are considering data privacy legislation. Increasingly numerous, fast-changing, and complex legislation related to data privacy will result in greater compliance costs, heightened regulatory scrutiny and significant penalties. New and changing regulations will increase compliance costs, adversely affect consumer demand or the availability of data sources, and result in material changes for business models of technology companies similar to those in which the Funds invest.

**Item 9: Disciplinary Information**

Novacap and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or the integrity of its management.

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

As described in Item 4, Novacap Management Inc., Novacap Management US Inc., and Novacap Management Financial Services I Inc. are related persons, all of which share certain personnel and operate under the same compliance program. Each entity is principally owned and, directly or indirectly, controlled by Novacap Fund Management Inc. The Registrants are also, or are affiliated with, the General Partners, which are investment advisers under the Advisers Act. The General Partners serve as general partners to the Funds and generally share with the Registrants common owners, officers, partners, employees, consultants or persons occupying similar positions.

Novacap and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Novacap and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Novacap does not recommend or select other investment advisers for its clients.

### *Novacap Services Inc.*

Novacap Services Inc., a related person of Novacap Management US Inc., Novacap Management Inc., and Novacap Management Financial Services I Inc., provides services to various portfolio companies owned by Funds advised by Novacap, which services may include: (i) general management services; (ii) financial monitoring and analysis; (iii) financing arrangement and management service; (iv) tax compliance and planning; (v) strategic planning; (vi) government relations; (vii) financial reporting; (viii) accounting policies; (ix) human resources support; (x) operational support; or (xi) interim management. Novacap receives compensation from portfolio companies in connection with such services. As described in the relevant Partnership Agreement, this compensation in many cases will offset a portion of the GP Distributions paid by the relevant Fund(s). However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees will be in addition to GP Distributions. Please see Item 5 for further information about fees and expenses.

### *Other Benefits*

Novacap and its personnel receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds, which will not be subject to general partner distribution offset or otherwise shared with the Fund, limited partners and/or portfolio companies. For example, airline travel or hotel stays incurred result in “miles” or “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 Novacap and/or such personnel (and not the Fund, limited partners and/or portfolio companies), even though the cost of the underlying service is borne by the Fund and/or portfolio companies. Similarly, the Registrants and General Partners (and their affiliates and their personnel and related parties, and third parties designated by the foregoing), receive discounts on products and services provided by some portfolio companies and such discounts have in the past and may in the future not be offered to the Funds’ limited partners or the general public.

### *Operating Partners*

Novacap or portfolio companies will from time to time retain other companies and individuals to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies (such companies or individuals, “Operating Partners”). The fees and expenses of an Operating Partner are generally borne by the Funds that invest in the relevant portfolio company and the amount and structure of such fees and expenses are determined at the discretion of Novacap taking into account the particular services. Compensation to an Operating Partner has in the past and may in the future also include an equity or other interest in the portfolio company or other incentive-based compensation, and will otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. In the event one or more Operating Partners (directly or indirectly) is providing services with respect to several Funds, subject to the Governing Documents, the fees and expenses of such Operating Partners generally will be allocated among the Funds in a fair and equitable manner. To the extent any such fees and expenses are payable by a Fund or a portfolio company, such expenses will not reduce any management fees, general partner distributions or other compensation otherwise payable to Novacap or its affiliates.

### *Industry Relationships*

Novacap and/or its personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in the Funds, engage in transactions with the Funds and/or provide services (including services at reduced rates) to Novacap and/or the Funds or other investment vehicles Novacap advises. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Novacap entities) to Novacap personnel and their estate planning vehicles. Novacap has a conflict of interest with certain Funds in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Novacap information about markets and industries in which Novacap operates (or is contemplating operations) or will provide other services that are beneficial to Novacap. Novacap could have a conflict of interest in making such recommendations in that Novacap has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended are not necessarily the best available to the portfolio companies held by a Fund.

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

Novacap has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of Novacap employees and addresses conflicts that arise from personal trading.

The Code is based on the principle that Novacap owes a fiduciary duty to the Funds for which Novacap (or a related person) serves as a General Partner. The Code establishes that Novacap’s employees must (i) place the interest of the Funds above any personal interests and the interests of Novacap, (ii) seek to identify conflicts of interest and observe established resolution procedures, (iii) avoid misleading or inaccurate statements that may be attributed to Novacap, (iv) conduct personal securities transactions in full compliance with the Code of Ethics, (v) not take inappropriate advantage of his or her position with Novacap, and (vi) comply with applicable federal securities laws and regulations. Employees are required to provide a written acknowledgement of their receipt of the Code of Ethics and any amendments.

A copy of the Code will be provided to any investor or prospective investor upon request to Novacap at the email address provided on the cover.

### *Personal Trading*

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to Novacap on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions.

Generally, employees invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or fall within the investment guidelines of the Funds. Novacap believes that the significant investment of its investment professionals in each Fund, as well as the principals’ and investment professionals’ right to receive carried interest from the Funds, operate to align, to some extent, the interest of its investment professionals with the interest of the limited partners. Nonetheless, Novacap’s investment professionals have economic interests in multiple Funds, including investments in, and rights to receive management fees and carried interests from such Funds. The varied economic interests of Novacap’s investment professionals presents a conflict of interest insofar as they have an economic incentive to favor the interests of one or more Funds over others. Furthermore, Novacap principals have in the past and may in the future manage several other investments similar to those in which the Funds will be investing and direct certain relevant investment opportunities to those investments.

In addition, from time to time, an employee may invest in an opportunity that was initially considered for investment by the Funds but not consummated. All such investments are subject to pre-clearance and are reviewed for potential conflicts of interest and will only be consummated after Novacap has refused the opportunity or has confirmed its investment level and that the employee investment is intended to have no impact on a Fund’s planned allocation level.

Furthermore, employees give advice or take action for their own accounts that differs from, conflicts with or is adverse to advice given or action taken for Funds. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Conflicts also arise due to the fact that employees have investments in some Funds but not in others or have different levels of investments in the various Funds.

Novacap has established policies and procedures to monitor and resolve these conflicts, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that arise as a result of personal trades in the same or similar securities made at or about the same time as Funds trades.

#### *Employee Side Funds*

Novacap has formed certain parallel investment vehicles (the “Employee Side Funds”) that may accept commitments from employees, consultants and advisors of Novacap and its affiliates, typically for an aggregate amount not exceeding 10% of the aggregate commitments of the relevant Fund and will invest in all portfolio companies on a *pro rata* basis with the relevant Fund based on their respective available capital. Economic terms of the Employee Side Funds differ from those of the other Funds. The Employee Side Funds generally are contractually required, as a condition of investment, to purchase and exit their investments in each investment opportunity at substantially the same time, and on substantially the same terms, as the other participating Funds. As noted in Item 4, Novacap has in the past and may in the future elect not to charge any GP distribution or carried interest in Employee Side Funds.

#### *Co-Investment Opportunities*

Principals and employees of Novacap have in the past and may in the future directly or indirectly own an interest in one or more Funds, including certain co-investment vehicles. Co-investment vehicles typically invest in one or more of the same portfolio companies as a Fund. Co-investment opportunities will also be presented to certain of the Funds’ limited partners, certain affiliates of Novacap as well as third party investors and other persons, as described further below. Novacap believes that principal and employee participation in co-investments can help align interests with those of the Funds, encourage prudence and diligence during the investment process, and demonstrate confidence in Novacap’s investment processes. However, co-investments present conflicts of interest. As such, Novacap’s compliance policies and the Code seeks to establish monitoring of co-investments and personal trading by Novacap’s principals and employees.

Novacap will allocate any co-investment opportunities among interested parties in its sole discretion, on the basis of such factors as it determines appropriate based on the relevant facts and circumstances, which will include among other things, stated desire to participate in co-investments, the ability of an investor to commit to invest and execute on such investment in a time period acceptable, the economic terms on which an investor will agree to participate, whether an investor provides strategic value in respect of such investment, the size of an investor’s commitment to the Funds, whether and to what extent an investor has accepted prior co-investment opportunities, or any other legal, regulatory or tax considerations.

As noted above, Novacap reserves the right to offer co-investment opportunities to one or more potential co-investors, including Operating Partners, vendors, service providers and/or other third parties, as determined by the Funds’ Governing Documents, side letters and Novacap’s allocation procedures. Novacap will grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies. Although a prospective co-investor’s willingness to invest in future Funds will be considered by Novacap, it will not be the sole determining factor considered by Novacap in identifying co-investors.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities will, in certain cases, be made by Novacap or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities typically will be offered to some and not to other Novacap investors and the consideration of the factors set forth above will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments will receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and because co-invest opportunities generally appeal to Fund investors and third parties, Novacap expects to be subject to potential conflicts of interest in determining the amount of an investment opportunity that should be allocated to the relevant Fund. When and to the extent that employees and related persons of Novacap and its affiliates make capital investments in or alongside certain Funds, Novacap and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would be as favorable as it would have been had such conflict not existed.

Novacap's allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations are likely to be more or less advantageous to some such persons relative to others. While Novacap will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its Funds under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Novacap is subject, discussed herein, did not exist.

Novacap receives and has received fees and/or allocations from co-investors, which have in the past and may in the future differ as among co-investors and from the fees and/or allocations borne by investors in a Fund. Other terms and rights applicable to such co-investors (including without limitation, withdrawal rights, information rights and the terms related to the particular structure of any co-investment vehicle) have in the past and may in the future differ from the terms and rights applicable to investors in a Fund as well as among co-investors.

#### *Internal Cross Trades*

Novacap reserves the right from time to time to cause a Fund to enter into a transaction whereby such Fund purchases securities from, or sells securities to, other Funds managed by Novacap, or co-investors or co-investment vehicles (each a "Cross Trade"). Cross Trades typically arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by another Fund. Cross Trades raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such a transaction is entered into represents what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Partnership Agreements or otherwise in the sole discretion of Novacap, Novacap is permitted to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness or "arm's-length" nature of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, Novacap is permitted to determine that the willingness of a third party to make an investment on the same terms



demonstrates the fairness of the relevant transaction to a Fund under then-current market conditions. Novacap intends that any Cross Trades will be conducted in a manner that it believes in good faith to be fair and equitable to each participating Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

While not technically cross trades, there are be circumstances where a portfolio company owned by one Fund is acquired by a portfolio company owned by another Fund. Novacap will seek to execute such transactions with the best interests of each participating Fund.

Although Novacap generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to transact only with select Fund entities, which could result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Novacap intends to cause the relevant non-participating Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

#### *Principal and Agency Cross Transactions*

Novacap currently does not intend to enter into principal transactions or agency cross transactions. In the event that Novacap seeks to enter into a principal transaction or an agency cross transaction, Novacap has policies and procedures in place to ensure that any transaction complies with the requirements of Section 206(3) of the Advisers Act.

#### *Service Providers*

Novacap and/or its affiliates engage certain service providers to provide services to Novacap, Funds and/or portfolio companies. Such service providers are, in certain circumstances, investors in Funds or affiliates of such investors and include, for example, investment bankers, outside legal counsel, pension consultants and/or other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider has in the past and may in the future be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in a Fund. This creates a conflict of interest, as Novacap may in the future give such investor preferred economics or other terms with respect to its investment in such Fund or have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor. Additionally, employees of Novacap, and/or their family members or relatives may have ownership, employment, or other interests in such service providers.

Novacap will have a conflict of interest with the Fund in recommending the retention or continuation of a service provider to a Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in a Fund or will provide Novacap information about markets and industries in which Novacap operates or is interested or will provide other services that are beneficial to Novacap, or if employees of Novacap, and/or their family members or relatives have ownership, employment, or other interests in such service providers. Although Novacap selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the Fund), there is a possibility that Novacap, because of financial, business interest, or other reasons, will favor the retention or continued retention of a service provider even if a better price and/or quality of service could be obtained from another person. While Novacap often does not have visibility or influence

regarding advantageous service rates or arrangements, there will be situations in which Novacap receives from a service provider more favorable service rates or arrangements than a Fund or portfolio company could receive from that service provider.

Novacap Services Inc., a related person of the Registrants, also provides services to various portfolio companies owned by Funds advised by Novacap. Novacap receives compensation from portfolio companies in connection with such services and such compensation is generally subject to an offset. Please see Item 10 for further details.

#### *Other Conflicts*

Investors should refer to the Governing Documents for the Funds for more detailed descriptions of additional conflicts and risk factors.

## **Item 12: Brokerage Practices**

Novacap focuses on making investments in securities of private companies and generally purchases and sells such securities through privately negotiated transactions in which the services of a broker-dealer are retained. However, Novacap may also distribute securities to investors in a Fund or sells such securities, including through using a broker-dealer, if a public trading market exists. Although Novacap does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

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

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

### *Soft Dollars*

It is Novacap’s policy not to enter into soft dollar arrangements or to accept soft dollars or commission credits for Fund transactions. To the extent that Novacap determines to engage in soft dollar arrangements, it will do so only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC and SEC staff regarding Section 28(e).

### *Brokerage for Client Referrals*

Neither Novacap nor any related person receives client referrals from any broker-dealer or third party.

### *Directed Brokerage*

Novacap does not recommend, request or require that a Fund direct Novacap to execute transactions through a specified broker-dealer.

### *Order Aggregation*

Novacap does not anticipate engaging in significant transactions of public securities; however, to the extent that Novacap engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, Novacap has in the past and may in the future also purchase or

sell the same securities or instruments for several Funds simultaneously. From time to time, Novacap is permitted to, but is not obligated to, purchase or sell securities for several Fund accounts at approximately the same time. Such orders have in the past and may in the future be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of Novacap is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, brokerage commissions or other costs will likely increase.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In Novacap’s private company securities transactions on behalf of the Funds, Novacap generally will retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Novacap will consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Novacap generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds have in the past and may in the future not pay the lowest commission or fee for such services.

### *Investment Allocations*

From time to time, Novacap will be presented with investment opportunities that would be suitable for multiple Funds. For example, one Fund will have remaining capital at the same time that a successor Fund is commencing its investment period.

Novacap must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Novacap generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund’s Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund’s Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund can invest together with other Funds advised by Novacap in the manner set forth in the relevant Partnership Agreements and in accordance with Novacap’s allocation procedures.

Novacap seeks to allocate investment opportunities on a fair and equitable basis taking into consideration such factors as: (i) the sector of the potential investment; (ii) the expected amount of aggregate capital required to make the investment and the each Fund’s current and projected available capital (including for any potential follow-on investments); (iii) the targeted rate of return and investment holding period of the potential investment; (iv) the existing portfolio of investments of each Fund, including

diversification and mitigation of conflicts; (v) suitability of the potential investment as a follow-on investment for a current portfolio company of any Fund; (vi) availability of other suitable investments for each Fund; (vii) legal, tax, contractual, regulatory and other considerations deemed relevant in good faith by Novacap; and (viii) such other factors as Novacap will reasonably deem relevant in good faith.

In determining which Funds should participate in investment opportunities, Novacap and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one Fund in a portfolio company also raise the risk of using assets of a Fund to support existing portfolio company investments held by other Funds.

To the extent that multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, a conflict of interest would likely arise in determining the terms of each such investment. Novacap intends to mitigate any potential conflicts by structuring such investments on a fair and equitable basis, taking into account the investment strategies of the participating Funds and the factors outlined above.

Conflicts can arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if a Fund invests in the securities of a company in which another Fund has already made an investment. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions could be taken for one or more Funds that adversely affect other Funds. For example, a Fund has not in the past and may in the future not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This will result in differences in price, terms, leverage and associated costs.

Novacap and its affiliates will, in certain cases, express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different persons affiliated with Novacap express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction.

### *Secondaries*

In certain cases, Novacap will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more potential secondary transferees of interests in a Fund. In such cases, Novacap will use its discretion to select such potential transferees based on suitability and other factors that will be similar to those employed in selecting co-investors, and unless otherwise required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

**Item 13: Review of Accounts**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Novacap closely monitors the portfolio companies in which the Funds invest. Deals are reviewed and discussed among members of Investment Committees on a weekly basis and Novacap's Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners, in writing, (i) annual audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return, and (iii) reports providing a narrative summary of the status of each portfolio company investment.

**Item 14: Client Referrals and Other Compensation**

Novacap does not receive economic benefits from non-clients for providing investment advice and other advisory services. Please see Item 10 for information regarding Novacap Services Inc.

From time to time, Novacap enters into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents and related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by Novacap. Novacap has historically retained, and expects in the future to retain, placement agents to solicit commitments to Funds. Such placement agents typically provide services in exchange for fees ranging in amount depending on factors including an investor's relationship with Novacap and amount of aggregate commitments to the relevant Fund.

**Item 15: Custody**

Novacap relies on SEC guidance indicating that SEC registered investment advisers with a principal office and place of business outside the U.S. are not subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") with respect to the non-U.S. clients that they advise. Nonetheless, Novacap has adopted a custody policy designed to ensure that Novacap meets its fiduciary duties to the Funds and complies with the Governing Agreements for the Funds. In particular, Novacap intends to maintain assets of the Funds with a regulated custodian in a separate account for each Fund under that Fund's name, or in accounts that contain only funds and securities of the Funds under Novacap's name as agent or trustee for the Funds. Audited financial statements of each of the Funds (except for employee side funds) will be distributed to applicable Fund investors within 90 days of the end of such Fund's fiscal year.

To the extent Novacap seeks to manage private funds organized in the United States, Novacap will amend its custody policy to address additional requirements under the Custody Rule and will maintain the assets of such Funds with "qualified custodians" (as defined under the Custody Rule) to the extent required.



**Item 16: Investment Discretion**

Novacap has discretionary authority to manage investments on behalf of each Fund. As a general policy, Novacap does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Novacap and/or the Funds will enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund will be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Novacap assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of such Fund.

## **Item 17: Voting Client Securities**

Novacap relies on SEC guidance indicating that SEC registered investment advisers with a principal office and place of business outside the U.S. are not subject to Rule 206(4)-6 under the Advisers Act (*i.e.*, the “proxy voting rule”) with respect to the non-U.S. clients that they advise. In addition, the Funds invest primarily in private companies for which proxies generally are not voted. Nonetheless, Novacap has adopted a policy (the “Proxy Voting Policy”) to address circumstances in which the Funds hold securities for which proxies may be voted .

The Proxy Voting Policy provides that Novacap will seek to vote proxies in the best interest of each Fund holding securities for which proxies may be voted. Novacap will take into account the best interests of the Fund or Funds, including accounting for any differences in their investment strategies, and relevant factors associated with a proxy voting proposal, including information provided in the proxy materials. Proxy votes will typically be cast as recommended by the company’s board of directors or management unless Novacap, in its discretion, determines otherwise. Certain types of matters will require a more detailed analysis than for some routine or uncontested matters.

In limited circumstances, Novacap will abstain from voting (which, for public securities, generally requires submission of a proxy voting card) or affirmatively decide not to vote if it determines that abstaining or not voting is in the best interests of the Funds. Generally, clients are not permitted to direct Novacap’s vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on one hand and Novacap and its affiliates on the other hand. The Investment Committee is responsible for reviewing the proxy voting proposals presented to it. Before voting any proxy, the Investment Committee will evaluate and consider whether Novacap faces a conflict of interest in connection with the vote. Any actual or potential conflict of interest will be reported promptly to Novacap’s Chief Compliance Officer, who will be responsible for ensuring the conflict is resolved appropriately. Novacap does not consider service on portfolio company boards by Novacap personnel or Novacap’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies.

A copy of Novacap’s Proxy Voting Policy, as well as a record of how Novacap has voted, will be maintained and available for review by clients upon written request to the Chief Compliance Officer.

**Item 18: Financial Information**

Novacap does not require prepayment of general partner distributions (management fees) six months or more in advance or have any other events requiring disclosure under this item of the Brochure.

Novacap is not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Novacap has not been the subject of a bankruptcy petition at any time during the past ten years.