

(Item 1: Cover Page)

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Investment Adviser Brochure  
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March 1, 2024

This brochure provides information about the qualifications and business practices of McNally Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 357-3710. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about McNally Advisors is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with McNally Advisors who are registered, or are required to be registered, as investment adviser representatives of McNally Advisors. Please refer to the full name of the company, McNally Advisors, LLC when reviewing the databases. McNally Advisors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

(Item 2)

### **Material Changes**

The last annual update to this Brochure was filed in March of 2023. There have been no material changes to the brochure since that filing.

In the future, Item 2 will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Our Brochure may be requested by contacting us at 312.357.3710 or [bgrogan@mcnallycapital.com](mailto:bgrogan@mcnallycapital.com). Clients may receive a copy of our brochure at any time without charge.

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(Item 4)

### **Advisory Business**

McNally Advisors, LLC, a Delaware limited liability company (the “Adviser”), together (where the context permits) with its affiliates provides investment management services to and/or receives investment management fees from the Funds (as defined below). Such affiliates may or may not be under common control with the Adviser but possess a substantial identity of personnel and/or equity owners with the Adviser. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below) or may serve as general partners of the Funds.

The Adviser provides investment management services to investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), or under state securities laws, in reliance upon exemptions for transactions not involving a public offering. Accordingly, to invest in the Funds, investors must be “accredited investors” as defined in Regulation D of the Securities Act and some cases “qualified purchasers” under Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Fund investments are made directly in privately held companies and are likely to include control stakes and in certain cases minority investments.

In accordance with the Funds’ respective investment objectives, as investment manager of the Funds, The Adviser’s services to the Funds include the identification, evaluation and selection of investment opportunities for the fund; performance of due diligence in connection with such potential investments; negotiation of investment terms; and monitoring the performance of the fund’s portfolio. The Adviser advises or co-advises each Fund on a discretionary basis in accordance with the terms of the Fund’s governing documents. The Adviser may serve as the investment adviser or general partner or establish a separate general partner to the Funds in order to provide such services, which is responsible for the operations of the Fund other than its investment decisions.

The Adviser is a wholly owned subsidiary of McNally Capital, LLC, a Delaware limited liability company (“McNally Capital”). McNally Capital is the Manager of the Adviser. The Adviser is headquartered in Chicago and shares space and personnel with McNally Capital. Ward S. McNally is the managing member of McNally Capital. He serves on the Investment Committee for the Adviser.

As of December 31, 2023, the Adviser manages a total of \$319,369,154 of client assets, which includes uncalled commitments, co-investment amounts and undistributed capital that has been redeployed, all of which is managed on a discretionary basis.

It is anticipated that the Adviser will serve as the investment adviser to future funds formed by McNally Capital or its affiliates.

The Adviser may serve as an investment adviser to ultra high net worth individuals and family offices seeking advice regarding private company and private equity fund investments. Clients who are active investors in private equity funds and in direct private company investments may retain the Adviser to assist with identifying and evaluating potential investments based on the client's strategy. For example, the Adviser may work on an annual fee or flat-fee basis to assess a client's portfolio of direct company investments and private equity funds, recommend an investment strategy for private equity investments, and assist a client with selecting private equity funds or direct investments. The Adviser's investment services for these types of individual accounts are offered on a non-discretionary basis.

The Adviser does not participate in wrap fee programs.

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### **Fees and Compensation**

There are two primary fee structures that the Adviser offers. First, Funds for which the Adviser provides investment advisory services typically pay management fees and allocate carried interest based on the amount of capital managed by the Adviser. Second, individually managed accounts such as family offices and ultra high net worth individuals typically pay a monthly fixed-fee and performance fee based on the client's individualized private equity investment portfolio and strategy.

The fee structure for the Funds varies depending on the purpose and scope of the Funds strategy. In general fees consist of (1) management fees; and (2) carried interest, which is a performance-based fee. Additionally, certain expenses such as organizational, closing and ongoing fees are charged to the fund and payable from investors' capital accounts (as more fully described in a fund's partnership agreement).

Certain Funds pay a specified annual management fee while other Funds pay an annual investment management fee equal to a percentage of the Fund's aggregate investor capital commitments in advance. The general partner of the Funds and The Adviser may agree to reduce the management fee with respect to investors committing to the Fund as set forth in the Fund's partnership agreement. In addition, the Adviser and its affiliates may perform advisory, transaction-related, financial advisory and other services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, private placements, public offerings, sales and similar transactions. Although these fees are distinct from and in addition to a Management Fee, they are not borne by the limited partners. Additionally, an investment of a Fund may reimburse the Adviser for expenses (including without limitation travel expenses incurred by the Adviser in connection with its performance of services for such portfolio company).

Additionally, please see Item 6 below regarding "Carried Interest" that Funds may pay.

The Funds invest on a long-term basis. Accordingly, fees are paid during the term of the fund, and withdrawal or redemption of interests in the fund generally is not permitted.

To the extent that the Adviser advises additional private investment funds, the fees paid to the Adviser may be similar in structure but vary in amounts. Any description of the fees paid to the Adviser is, and remains subject to, the applicable fund governing documents and related agreements.

#### *Private Equity Investment Advisory*

For non-fund clients such as family offices and ultra high net worth individuals seeking advisory services relating to private equity investments, the Adviser charges either a fixed project fee or a

recurring monthly fee. The fee arrangements for these accounts are individually negotiated with a client based on complexity of the client's private equity portfolio and investment strategy.

Affiliates of the Adviser may receive a portion of the fees received by the Adviser or its affiliates.

(Item 6)

### **Performance-Based Fees and Side-By-Side Management**

For Funds subject to performance based fees as set forth in their organizational documents, once a Fund has distributed to its limited partners their funded commitments, plus a return on their funded commitments as set forth in their organizational documents, a portion of the profits of the Fund is distributed to its general partner, if any, as “carried interest” (the “Carried Interest”) in accordance with the Fund’s organizational and offering documents. Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund, where applicable, is indirectly borne by investors in such Fund who are not affiliated with the Adviser as outlined in the Fund’s organizational documents.

The possibility of receiving carried interest may create an incentive for the Adviser to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such performance-based compensation. Notwithstanding the foregoing, the Adviser’s disciplined investment selection process is intended to mitigate this risk and to prevent this arrangement from influencing investment decisions.

The Adviser may manage accounts and provide services to clients that are not charged a performance-based fee. This practice could present a conflict of interest if the clients are competing for investments because the Adviser has an incentive to favor accounts for which it or its affiliates receive performance-based fees.

There may be limitations on the Adviser’s ability to make investments on behalf of a newly established fund if this fund has investment objectives substantially similar to those of an existing fund. These limitations would avoid the conflicts with respect to the allocation of investment opportunities between an existing fund and a newly established fund, but would also prevent the newly established fund from participating in the investment opportunity. Such limitations, if any, would not prevent a conflict between a fund client and an individual client of the Adviser. The Adviser’s allocation policies address these potential conflicts. Determinations as to how investments are to be allocated among eligible funds or accounts are made by the Adviser’s Investment Committee.



(Item 7)

### **Types of Clients**

The Adviser provides investment management services to the Funds and individual accounts of ultra-high net worth investors or family offices.

Private investment funds are investment partnerships or other investment entities operated as investment pools exempt from registration under the Investment Company Act. The investors participating in the private investment funds typically will be family offices and their related ultra high net worth individuals, and may include, directly or indirectly, principals or other employees of the Adviser and its affiliates such as McNally Capital. The investors also may include pension and profit-sharing plans, governmental entities, charitable organization and other corporations or business entities. Investors must be “accredited investors” as defined in Regulation D of the Securities Act and may also meet the “qualified purchasers” definition under Section 3(c)(7) of the Investment Company Act.

Non-fund clients for which the Adviser provides investment advisory services also must be “accredited investors” as defined in Regulation D of the Securities Act and may be “qualified purchasers” under Section 3(c)(7) of the Investment Company Act. Individual clients, whether family offices or ultra high net worth individuals typically will have a minimum net worth of \$250 million, though the Adviser, in its discretion, may accept clients whose net worth is less. Clients seeking the Adviser’s private equity related investment services must have significant investment and operating experience, and they may have an internal investment team or other investment resources that they utilize in tandem with the Adviser’s services.

(Item 8)

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The Adviser focuses on situations where the Adviser believes it can provide attractive capital solutions to family, founder and entrepreneur-controlled companies. Investments may be made directly in privately held or publicly traded companies and are likely to include control stakes and possibly minority investments. The Funds seek to make opportunistic investments across a broad range of industries in the U.S., with investment guidelines that provide structuring flexibility.

The investment process for all Funds involves careful investment review and due diligence. Due diligence for Funds which invest directly into a company include analysis of the competitive industry landscape, assessment of the management team and ownership structure, financial, accounting and tax review, legal and insurance due diligence and financial analysis. Prior to final approval of entering into any definitive agreement, transactions are reviewed by the Adviser's principals and Investment Committee.

### **Risks**

Inherent in the Adviser's business are a number of risk factors, including risks associated with the Adviser's strategy of investing in private equity, particularly investing in private equity funds sponsored by unrelated managers who in turn invest in private companies. These risks result in a risk of investment loss for individual clients and private investment funds and their investors. The risks involved in the Adviser's business include, but are not limited to:

#### *High Risk Investments*

The private equity class of investments, that the Adviser makes on behalf of the Funds, are illiquid, high-risk and subject to loss of a part or all of an investor's entire investment. Non-U.S. private equity fund investments may be subject to additional country, currency and illiquidity risks. The portfolio companies of Funds or underlying private equity funds may involve significant business and financial risk. Underlying private equity funds make venture capital and growth equity investments in companies that are in an early stage of development, have little or no operating history, are operating at a loss, and/or need significant additional capital to support their operations. Other underlying private equity funds may invest in buyouts, which involve significant financial leverage and are therefore sensitive to declines in revenues and to increases in interest rates and expenses.

#### *Valuation of Assets*

There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to detailed review for approval and ensuring that portfolio investments are fairly valued

is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices as which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by the Adviser may give rise to conflicts of interest as the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect performance calculations.

#### *Risk of Equity Investments in Private Companies; Non-Controlling Interests*

Certain Funds' will invest primarily in securities issued by privately held companies. Generally, there will be no readily available market for trading such securities, which will limit the ability to monetize and value such investments. In addition, equity securities, even structured equity securities, are among the most junior in a company's capital structure and are subject to the greatest risk of loss. In general, a Fund will not seek collateral to protect an investment. Accordingly, a Funds' investments will involve a high degree of business and financial risk that can result in substantial losses, including loss of principal. While a Fund will seek investments that have projected returns commensurate with the risks involved, there can be no assurances that any targeted rate of return will be achieved. In addition, it is expected that a Fund may hold minority stakes in privately held companies. Such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

#### *Limited Operating History*

Certain of the Funds have limited operating history and will be entirely dependent on the Adviser. There can be no assurance that the Funds' investments will achieve results similar to those achieved by any previous investments. In addition, a Funds' investments may differ from previous investments in a number of respects. The performance of previous investments is not necessarily indicative of future results.

#### *Dependence on Key Personnel*

The success of the relationship-based investment strategy utilized by the Funds depends in substantial part upon the individual Adviser principals and their skill and expertise. However, there can be no assurance that all of the Adviser principals will continue to be associated with the Adviser throughout the life of a Fund or that replacements will perform well.

#### *Reliance on Management Teams*

The returns of private equity fund investments are dependent upon the performance of unrelated management teams within control and minority investments. Individual clients that are investors may be minority equity investors in portfolio companies and, notwithstanding certain board or contractual management rights, will generally not control such companies.

### *Reinvestment*

Proceeds from realized investments of the Funds may be retained and reinvested by the Funds as determined by the Adviser or used by the Funds as determined by the Adviser for any other proper purpose in accordance with the terms of the Fund's governing documents. Accordingly, to the extent such realized amounts are reinvested, a limited partner will remain subject to investment and other risks associated with such investments.

### *Availability of High-Quality Investment Opportunities*

There is no assurance that access to high-quality private equity investment opportunities will be available during the investment period of the Funds (or any future funds) or when an individual client is evaluating private equity investments, or that high-quality secondary purchase opportunities will be available at attractive prices. In addition, top-quality private equity partnerships may be oversubscribed and there is significant competition for investment allocations. Similarly, individual clients compete for investments in portfolio companies with other individuals, financial institutions, private equity, venture capital and investment funds or corporations. There can be no assurance that the Adviser will be able to locate and complete attractive investments or that the investments the clients ultimately make will satisfy their investment objectives.

### *Limited Number of Investments; Lack of Diversity*

Except as set forth in a Fund's organizational documents, a Fund is under no obligation to diversify its investments, whether by reference to the amount invested or the industries or geographical areas in which the investments are made. Accordingly, a Fund may have a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment. On any given investment, loss of all or a portion of the original amount of the investment is possible. Investors in a Fund have no assurance as to the degree of diversification in the Fund's investments, whether by geographic region, industry, asset or transaction type. To the extent a Fund concentrates investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. In addition, a Fund may make an investment for which third party financing will be desirable but not necessarily available at the time of investment. There is significant risk that such financing may never become available, or that a refinancing will not be able to be completed on desirable terms. This could result in a Fund having a variety of unintended long-term investments and/or reduced diversification.

### *Leverage; Borrowing by a Fund or its Subsidiaries*

A Fund may utilize leverage for short-term borrowing or otherwise for the purpose of paying Fund expenses and/or providing interim financing for a portfolio investment prior to the making or payment of capital contributions, to the extent such leverage is available on appropriate terms and in accordance with the Fund's organizational documents. To the extent leverage can be obtained and is utilized, such leverage will increase the exposure of an asset to adverse economic

factors such as rising interest rates, further downturns in the economy or deterioration in the condition of the investment. A Fund will also be permitted to guarantee or provide credit support or similar assurances in respect of the obligations of its investment and, accordingly, the Fund may be materially and adversely affected by an event of default by an investment in respect of any such obligations.

#### *Contingent Liabilities on Disposition of Assets*

In connection with the disposition of assets, an investment in a Fund or any other investment, may be required to make representations and warranties about the business and financial affairs and other aspects (such as environmental, property, tax, insurance and litigation) of itself and its assets, such portfolio company and/or its assets typical of those made in connection with the sale of a business or a portfolio of assets. A Fund also may be required to indemnify the purchasers of such assets or investments to the extent that any such representations and warranties are inaccurate or with respect to certain potential liabilities. These arrangements may result in the occurrence of actual and/or contingent Fund liabilities for which the Adviser may need to establish reserves or escrows. In that regard, investors in a Fund may be required to return amounts distributed to them to fund obligations of a Fund, including indemnity obligations, subject to certain limitations set forth in a Fund's organizational documents.

#### *Regulatory Risk*

A Fund may invest in regulated portfolio companies that are subject to any number of governmental licenses, permits or other approvals. A Fund may need the consent or approval of applicable regulatory authorities in order to acquire particular portfolio companies. Such regulatory authorities may also be required to approve or consent to certain aspects of a Fund's sale of such investments. In addition, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on a Fund's portfolio investments. Such changes could necessitate the creation of new business models and the restructuring of investments to satisfy regulatory requirements, which may be costly and/or time-consuming. In connection with the regulatory approval, licensing or review process for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of such portfolio company, potentially including a Fund or in turn the investors in such Fund. Additionally, failure to obtain, or a delay in obtaining, certain required permits or approvals could hinder operation of a portfolio company and result in fines or additional costs for such entity, which could have a material adverse effect on a Fund. Finally, investment in regulated portfolio companies may result in: (i) certain investors in a Fund being excused or excluded from participating in such investments in consultation with the Adviser as a result of the effects of such participation on such investors and/or the Fund, and/or (ii) limiting a Fund's ability to make other investments and/or take certain actions in connection with its investment activities.

#### *Investments Longer than Term*

A Fund may make investments which may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although

the Adviser expects that investments will generally be disposed of prior to dissolution (or, failing that, be capable of in-kind distribution during dissolution), and due to the fact that, in certain situations, the Adviser has a limited ability to extend the term of a Fund, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

#### *Non-U.S. Market Risks*

Investments in non-U.S. markets involve risks different from those in the United States, including economic, social, political, currency, and taxation risks, as well as potential exchange control regulations and restriction on foreign investment and repatriation of capital. If underlying investments, private equity funds or individual clients invest in countries that are in emerging markets, these investments involve a broader range of economic, foreign currency, exchange rate, political, legal and financial risks. Many governments in emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. Other risks include nationalization, expropriation, confiscatory taxation, negative diplomatic developments and political or social instability. In addition, the laws of some emerging markets governing business organizations, bankruptcy and insolvency may make legal action difficult and unpredictable and provide little, if any legal protection for investors.

#### *Operational Risks*

The Adviser's ability to conduct its business effectively is subject to a variety of operational risks. If any of the Adviser's financial controls, investment accounting or investment operations systems, or data processing systems fail to operate properly, or if there are other failures in its internal processes, the Adviser could suffer business disruption, financial loss, liability to clients, or regulatory or reputational issues. Systems failures may result from factors that are beyond the Adviser's control, notwithstanding the fact that the Adviser takes precautionary measures. In addition, changes in legal, fiscal and regulatory regimes may occur that may have an adverse effect on the Adviser. The Adviser may not be permitted to, or be able to, make adjustments in its structure or investment program in order to adapt to such changes. Changes in economic conditions may occur that may have an adverse effect on investments, such as rising interest rates. Due to the illiquidity of the investments made by the Adviser, the Adviser will have limited ability to adapt to any such changes in economic environment or mitigate any resulting losses.

#### *Illiquidity; Cash Flow Risks*

Investments in private equity are highly illiquid, as are the Funds' investments in portfolio companies. Interests in private equity funds and private companies are not registered under the Securities Act, and may not be transferred unless registered under applicable federal or state securities laws or unless exemptions from such laws are available. The Funds and future funds' ability to undertake new investments and pay distributions to their investors is contingent upon generating cash flows, the sufficiency of which is contingent upon, among other things, the performance of the fund's existing investments, current economic conditions and conditions in the securities markets, and timely payment by fund investors of their called capital commitments.

### *No Market for Limited Partnership Interests; Restrictions on Transfers*

There is no market for the interests in the Funds and none is expected to develop. A limited partner will not be permitted to assign, sell, exchange or transfer any interest in a Fund except with the prior written consent of the Adviser, which consent may be given or withheld in the sole and absolute discretion of the Adviser. Further, interests are not registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction; and, therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. Accordingly, limited partners must be prepared to bear the risks of owning the interests for an extended period of time.

### *Uncertainty of Financial Projections*

A Fund may rely upon projections developed by the Adviser or a portfolio company concerning the portfolio company's future performance, cash flow and operating results as well as projections prepared by third parties. Projections are inherently subject to uncertainty and factors beyond the control of the Adviser and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements, and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.

### *Additional Capital*

Portfolio companies may require additional financing (including leverage) from sources outside a Fund to satisfy their capital requirements. The amount of additional financing required will depend upon the business objectives and strategy of the particular company. The availability of capital may be a function of capital market conditions that are beyond the control of a Fund or any portfolio company. There can be no assurance that a portfolio company will be able to predict accurately its capital requirements or that additional funds will be available from the desired sources or from any sources or on terms favorable to the portfolio companies.

### *Market Conditions*

United States and international market and economic conditions have been, and continue to be, disrupted and volatile. These conditions have had broad regional, national and global economic ramifications, and the impacts of these conditions are continuing to unfold. Such conditions could materially and adversely impact a Fund in a variety of ways and may include impacts that cannot be anticipated at this time. Among other things, these conditions may materially and adversely affect (i) the ability of a Fund or its investments to access credit markets on favorable terms or at all in connection with the financing or refinancing of investments; (ii) the ability or willingness of certain counterparties to do business with a Fund or its investments; (iii) a Fund's exposure to the credit risk of others in its dealings with various counterparties; (iv) consumer spending and demand for the products and services offered by portfolio companies; (v) growth opportunity for a Fund's investments; (vi) a Fund's ability to exit its investments at desired times on favorable terms or at all; (vii) availability of reliable insurance on favorable terms or at all;

and (viii) the ability of a Fund's investors to meet their obligations to the Fund. There can be no assurance that national and global market and economic conditions will improve during the term of a Fund, and such conditions could continue to deteriorate materially and for an extended period of time. National concerns about future economic growth, rising unemployment, high oil prices, lower consumer sentiment, inflationary pressures, the adverse developments in the credit markets and mixed corporate earnings present significant challenges to the national and global economies and equity markets presently and in the future. Any of the foregoing could have a material adverse impact on a Fund.

### *Conflicts of Interest*

The Adviser provides investment management services to the Funds and anticipates providing services to additional funds and individual client accounts. The Adviser and its affiliates will continue to form relationships in the private equity investment arena. As the Adviser invests and manages assets for its clients, it is possible for conflicts of interest to arise between clients. Known potential conflicts are described elsewhere in this Brochure, including Items 6, 10 and 14.

### *Past Performance Not Necessarily Indicative of Future Performance*

There is no assurance that the performance of the Adviser or any investment will equal or exceed the past investment performance.

Additional risks relevant to investments in direct operating companies or private equity funds, including the Funds, are described in the applicable private offering memoranda.



(Item 9)

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or prospective client's evaluation of their advisory business or the integrity of their management. The Adviser has no such information to disclose.

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### **Other Financial Industry Activities and Affiliations**

McNally Advisors, LLC is affiliated with McNally Capital Securities, LLC, a FINRA member broker/dealer.

The Adviser serves as the investment manager of the Funds. The general partner of the Funds is an affiliate of the Adviser. The Adviser's personnel also are employed by McNally Capital and associated with other affiliated companies. As a result, the Adviser's personnel will not devote their full business time and attention to the Adviser.

The Adviser and its affiliates may begin organizing and accepting capital commitments for other funds in accordance with the terms of the Fund's governing documents.. These additional funds may invest concurrently with the Funds and may be allocated investment opportunities that are not allocated to the Funds. The Adviser's employees and other personnel may spend a significant amount of their business time and attention on multiple funds and other clients. As a result, the performance by these individuals of their obligations to one client could conflict with their responsibilities to other clients.

(Item 11)

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

The Adviser has implemented a Code of Ethics as required by Rule 204A-1 under the Investment Advisers Act of 1940. This Code of Ethics sets forth certain standards of business conduct that govern the personal investment activities of employees and officers of the Adviser, including the requirement that the interests of advisory clients must be placed first at all times.

The Code of Ethics requires “access persons” (officers and supervised persons with access to client information) of the Adviser to report their personal securities transactions to the Adviser on a quarterly basis and their securities holdings upon commencement of employment (or upon becoming an access person) and annually thereafter. Access persons also must obtain approval from the Adviser’s chief compliance officer before they acquire any ownership interest in any security in an initial public offering or limited offering. The Code of Ethics requires all employees and officers of the Adviser to comply with applicable federal securities laws and to promptly report any violation of the Code of Ethics to the Adviser’s chief compliance officer.

A copy of the Adviser’s Code of Ethics will be provided upon request to any investor or prospective investor in the Funds or any future fund for which The Adviser provides investment management services and to any individual client of the Adviser.

The Adviser and its Investment Committee seek to ensure that the Adviser and its member (McNally Capital), and their respective employees and affiliates, do not personally benefit from underlying fund investment recommendations. Pursuant to the partnership agreement of each of the Funds, access persons must obtain approval from the Fund’s general partner before they acquire any ownership interest in any underlying fund or other securities that meet the Fund’s investment criteria.

Certain related persons of the Adviser will indirectly receive a portion of the carried interest paid to the general partners of the Funds by being or becoming members of McNally Capital. The possibility of receiving carried interest may create an incentive to recommend more speculative investments on behalf of the Fund. The Adviser’s disciplined investment selection process is intended to mitigate this risk.

(Item 12)

### **Brokerage Practices**

The Adviser, as manager of the Funds, has discretion to determine the companies in which a Fund invests. Investments in companies are negotiated on a private placement basis by the Adviser. Historically, the Adviser has not utilized broker-dealers in connection with such investments.

Individual clients that engage the Adviser with respect to private equity investments may use the services of investment bankers or broker-dealers that they select. The Adviser does not select clients' brokerage firms. In addition, any affiliated or related brokers do not maintain individual client accounts.

(Item 13)

### **Review of Accounts**

The Adviser's Investment Committee continuously monitors the Adviser's clients' portfolios. Members of the Adviser's Investment Committee are:

- Ward S. McNally, Managing Partner
- Louis Rassey, Managing Partner
- Brian Grogan, Chief Financial Officer

The investment portfolios of the Funds are substantially private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team composed of Adviser principals and other investment professionals on an on-going basis. The team provides reports to the Adviser's Investment Committee on a quarterly basis and will provide interim reports if a material change in a particular investment occurs.

Investors in the Funds typically receive a copy of audited financial statements of the relevant Fund or underlying investment within 120 days after the fiscal year end of such Fund, as well as quarterly financial reports within 90 days after each fiscal quarter end. Alternatively, in lieu of providing information each quarter, financial reports are available upon request. The Adviser and the applicable general partner may from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

Individual clients may receive customized reports designed based on their particular requirements and objectives.

(Item 14)

### **Client Referrals and Other Compensation**

The Adviser has not engaged any persons to solicit advisory clients on its behalf, although affiliates of the Adviser may refer clients to the Adviser. Affiliates have an incentive to refer clients to the Adviser because fees paid by clients will indirectly benefit the affiliates. Clients referred to the Adviser by its affiliates will not pay higher fees due to the referral.

The Adviser, particularly for any future funds for which it seeks to provide investment management services, could enter into a placement agent agreement with respect to the fund. Pursuant to such an agreement, the Adviser could pay a placement agent a percentage of the capital invested in the fund by investors referred by such placement agent. Such agreements would typically require that the Adviser agree to indemnify the placement agent for certain losses, claims or damages to which the placement agent may be subject in connection with its engagement by the Adviser.

The Adviser also could enter into an agreement with an entity to act as a solicitor to refer clients to the Adviser. Pursuant to such an agreement, the Adviser could pay a solicitor based on the fees received by the Adviser from its referred client.

Any such agreements require the placement agent or solicitor to meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act. Furthermore, these agreements require the placement agent or solicitor to obtain a fee disclosure statement executed by the prospective investor in the fund or client disclosing the existence of the relationship as well as the amount of fees earned by the placement agent or solicitor the terms of the agreements may vary depending upon the circumstances.

The Adviser endeavors at all times to put the interests of its clients first as part of the Adviser's duty to its clients. Nevertheless, the receipt of compensation by placement agents and solicitors as described above creates a conflict of interest and may affect the judgment of the placement agents and solicitors when referring eligible clients to the Adviser.

(Item 15)

### **Custody**

The Adviser is deemed to have constructive custody of the assets of the Funds pursuant to Rule 206(4)-2 Act (the “Custody Rule”) of the Investment Advisers Act. The Adviser has implemented the following controls:

- Most Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by the Public Accounting Oversight Board.
- The audited financial statements are distributed to investors in the Funds within 120 days of the end of the Funds’ fiscal year end.
- The Adviser periodically reviews the effectiveness of its custody controls. Including following internal review policies on cash disbursements, month end close for each Fund and monthly bank account review and reconciliation.

(Item 16)

### **Investment Discretion**

The Adviser has investment discretion for the Funds. Subject to the investment objectives and other limitations of the Fund, as set forth in its confidential private placement memorandum and partnership agreement, the Adviser has discretion to determine the underlying investments in which the Fund invests and the amounts of such investments. The Adviser's investment decisions take into account the investment objectives and strategy of the Fund; the Fund's size and amount of capital available for investment; the Fund's diversification requirements; available investment opportunities appropriate for the Fund; and current and anticipated market conditions.

By subscribing for an investment in the Funds and executing a partnership agreement, each investor agrees that the Fund was formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Fund is, operating generally in the manner described in the Fund's confidential private placement memorandum.

The Adviser anticipates that it will have and exercise similar investment discretion for any future funds for which it acts as the investment manager.

With respect to individual non-fund clients that seek the Adviser's services, the Adviser does not accept or exercise investment discretion.



(Item 17)

### **Voting Client Securities**

The Adviser recognizes that voting rights have economic value and that the exercise of such rights is an important part of an advisor's duties. Proxy voting, however, is not generally applicable to the Adviser's business.

With respect to the Funds and any future funds for which the Adviser may serve as the investment manager that are entitled to vote on issues, the general partner of the Fund will exercise voting authority on behalf of the fund. Neither the Adviser nor a Fund typically receives distributions of public securities or otherwise holds public securities. (In the event a Fund was to receive a distribution of public securities, it would expect to immediately sell such securities for cash pursuant to the terms of the Fund's partnership agreement.)

With respect to individual non-fund clients that the Adviser advises, services may involve investments in private companies and the clients will retain all voting and other rights. The Adviser does not accept or exercise proxy-voting authority.

(Item 18)

### **Financial Information**

The Adviser has no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to its clients. The Adviser has never been the subject of a bankruptcy proceeding.

(Item 19)

**Requirements for State-Registered Advisers**

The Adviser is not registered with any state securities authorities.