



RLJ EQUITY PARTNERS

7315 Wisconsin Avenue
Suite 900 East
Bethesda, MD 20814
T: 240-744-7856
F: 240-744-7857
www.rljequitypartners.com

RLJ EQUITY PARTNERS, LLC

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This Brochure provides information about the qualifications and business practices of RLJ Equity Partners, LLC ("RLJ Equity", "us", "we" or "our"). If you have any questions about the contents of this Brochure, please contact us at 240-744-7804 and/or Ernita Thomas at ethomas@rljcompanies.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

We are a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications presented to you by an investment adviser provide you with information which you may use to determine to hire or retain the adviser or invest in its managed funds.

Additional information about RLJ Equity Partners, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Summary of Material Changes

This section entitled “Item 2 – Material Changes” will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes as of the date of the last update of our brochure.

Since the filing of our last annual updating amendment, dated March 30, 2023 we have no material changes to report.

RLJ Equity ensures that clients receive a summary of any material changes within 30 days of the date the Form ADV and Brochure are updated.

RLJ Equity will further provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Ernita Thomas, our Chief Compliance Officer, at 240-744-7804 or ethomas@rljcompanies.com. You can always receive the most recent version of this Brochure through the SEC’s public disclosure website (IADP) at www.adviserinfo.sec.gov.

Additional information about RLJ Equity is available via the SEC’s web site www.adviserinfo.sec.gov.

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Item 4 Advisory Business

RLJ Equity Partners, LLC, a Delaware limited liability company (“RLJ Equity”, “us”, “we” or “our”), is based in Bethesda, MD, and has been in business since 2006. Our principal owner is the RLJ Companies, LLC.

RLJ Equity provides investment advisory services to two (2) private pooled investment vehicle organized as a limited partnership, RLJ Equity Partners Fund I, L.P. (“Fund I”) and RLJ Equity Partners Fund II, L.P. (“Fund II”) or collectively, (the “Fund”). The Fund is closed-ended and has a term of 10 years with the option of two one-year extensions. The Fund is marketed primarily to institutional investors. These investors purchased interests in the Fund, and investments are made at the Fund level, not for individual investors in the Fund. As the investment adviser of the Fund, RLJ Equity, along with the Fund’s general partner (the “General Partner”), identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of the Fund.

The primary focus of RLJ Equity’s investment advisory services is researching and advising on privately negotiated transactions in operating entities. Investments are predominantly in non-public companies, although investments in public companies are permitted under certain circumstances. One or more of our Managing Partners/Directors or Principals generally serves on a portfolio company’s board of directors to influence control or management of portfolio companies held by the Fund.

The advisory services for the Fund are further described in the Fund’s offering memorandum, limited partnership agreement, and management agreement (collectively, the “Documents”). We do not vary our investment advice from the terms of the Documents. Additionally, the Documents detail the various investment restrictions that govern the types of investments the Fund may and may not make.

In accordance with common industry practice, the General Partner may enter into “side letters” or similar arrangements with certain investors pursuant to which the General Partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally. These arrangements typically clarify any regulatory, informational, and interpretational issues with the Documents, and do not include changes in the financial terms.

As of December 31, 2023, we managed \$228,364,430 of assets on a discretionary basis for the Fund. We do not manage assets on a non-discretionary basis.

Item 5 Fees and Compensation

As compensation for investment advisory services rendered to the Fund, RLJ Equity receives from the Fund an annual management fee, the amount of which is set at the initial formation of the Fund and is generally not altered thereafter. As described below, the management fee payable by the Fund may be reduced or waived in some circumstances in connection with the receipt by RLJ Equity or its related persons of all or a portion of various fees paid by portfolio companies. The management fee is payable semi-annually.

The management fees equal a percentage of the total capital committed to the Fund by investors. The calculation of the management fee changes to a percentage of invested capital after the end of the investment period, or when a new fund is raised.

Management fees are billed to the Fund or the General Partner and paid by the Fund or the General Partner from the Fund’s assets. To obtain cash for the payment of management fees, the General Partner of the Fund may draw down investors’ capital commitments.

Portfolio company related expense reimbursements may be payable to RLJ Equity. Fund expense reimbursements are disclosed to investors in the Documents and are in addition to the management fees discussed above. The Fund also generally bears certain expenses relating to its activities and operations (other than expenses resulting from the fraud, gross negligence or willful misconduct of the General Partner).

The Fund generally invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Fund's Documents, over the term of the Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

To the extent provided in the Documents of the Fund, RLJ Equity will pay out of its management fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, compensation of its employees (other than carried interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by RLJ Equity to the Fund. The Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including legal, accounting, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, travel, entertainment, deal sourcing expenses, advisory board, interest, taxes and extraordinary expenses, and other similar fees and expenses. Some of these expenses borne by the Fund may relate to costs associated with unexecuted transactions.

Item 6 Performance-Based Fees and Side-By-Side Management

The limited partnership agreement of the Fund generally provides a distribution waterfall in which the net proceeds realized by the Fund are shared between the Fund's General Partner ("Carried interest") and the Fund's investors [after the investors have received their contributed capital plus a preferred return].

Performance-based allocation arrangements received by the General Partner and, indirectly, RLJ Equity's related persons may create an incentive for RLJ Equity to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

RLJ Equity has policies and procedures in place to mitigate the conflicts of interest associated with performance-based fees and side-by-side management.

Item 7 Types of Clients

RLJ Equity currently provides investment advisory services to pooled investment funds. Investment advice is provided directly to the Fund, subject to the direction and control of the General Partner of the Fund, and not individually to the investors in the Fund. Interests in the Fund are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Fund include banks, pension and profit-sharing plans, trusts, limited partnerships, fund-of-funds and limited liability companies.

We require that each investor in the Fund be an "accredited investor" as defined in Regulation D under the Securities Act of 1933 or a "qualified purchaser", within the meaning of 2(a) (51) of the Investment Company Act of 1940, as amended. We also require that each investor in the Fund that is a U.S. resident be a "qualified client" within the meaning of Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Generally, investors must invest a minimum dollar amount of \$5,000,000 in the Fund. The General

Partner of the Fund may waive the minimum investment amount in its sole discretion.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Fund typically invests in equity and equity-related securities of private operating companies in negotiated transactions. The Fund generally makes control investments, and equity incentives are granted to company management. We make investment recommendations in accordance with the investment strategies described in the Fund's Documents.

Prior to making an investment, RLJ Equity carries out an extensive fundamental analysis of a target investment's position and prospects. A vital element of this analysis is the development of an operating plan that, if the investment is consummated, will form the basis for the portfolio company's operating targets. The dimensions of such due diligence analysis generally include the following:

Market Definition and Segmentation

Market definition delineates the boundaries where competitive advantage can be established and sustained. Market definition is based on the economics of the business, sharing with other businesses, and the dynamics of customer behavior. Within a defined market, market segments present potential vulnerabilities as well as opportunities.

Competitive Position

Often the key to strategic due diligence is a thorough analysis of each competitor's relative cost position, market and segment shares, technology, management, financial capability, and implicit future strategy. This includes a review of the distinctive capabilities of the target company, which can set it apart from other participants in its industry. These capabilities may include brand franchise, distribution strength, shelf space, and technology.

Management

RLJ Equity evaluates members of the management team, works to ensure that economic incentives post-closing are aligned with the business plan, and takes whatever steps to support the management team. If required, RLJ Equity professionals can temporarily fill operating positions while a high-quality manager is being recruited.

Regulatory, Environmental, Tax, Legal, Accounting

RLJ Equity and an experienced team of outside professionals perform a full review of potential regulatory, environmental, tax, legal, and accounting contingencies, as needed, prior to making an investment.

Exit Analysis

Before making an investment, RLJ Equity fully explores the alternative options for future liquidity. Businesses with limited liquidity alternatives are discounted more heavily.

Risks

The investment strategies described above, and other strategies that may be pursued by the Fund, involve a substantial degree of risk, and the Fund may lose all or a substantial portion of the value of its investments. Material risks relating to the investment strategies and methods of analysis described above are described in more detail in the Fund's Documents and include the following:

Highly Competitive Market for Investment Opportunities

The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The Fund will be competing for investments with

other private equity funds, as well as companies, public equity markets, individuals, financial institutions and other investors. Furthermore, over the past several years, an ever-increasing number of private equity funds have been formed (and many such existing funds have grown in size) that focus on the business services, consumer and retail, general industrial, media and telecommunications, aerospace and defense, and automotive and transportation. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Fund and adversely affecting the terms upon which investments can be made. There can be no assurance that the Fund will be able to locate, consummate and exit investments that realize significant value, satisfy the Fund's rate of return objectives or that the Fund will be able to invest fully its committed capital.

Leverage

The Fund's investments are expected to include portfolio companies whose capital structures may have significant leverage. Although the General Partner will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in business conditions for portfolio companies or their respective industries.

No Market for interests; Restrictions on Transfers

The interests in the Fund have not been registered under the 1933 Act, the securities laws of any U.S. state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the 1933 Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the interests under the 1933 Act or other securities laws will ever be affected. There is no public market for the interests and one is not expected to develop. An investor in the Fund will not be permitted to assign, sell, exchange or transfer any of its interests or rights or obligations with respect to its interests without the prior written consent of the General Partner, which consent may be given or withheld in the sole and absolute discretion of the General Partner. Except in extremely limited circumstances, withdrawals from the Fund will not be permitted. Investors in the Fund must be prepared to bear the risks of owning interests for an extended period of time.

Illiquid and Long-Term Investments

Although investments by the Fund may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. The Fund will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Fund may be prohibited by contract or regulatory reasons from selling certain securities for a period of time.

No Assurance of Investment Return

The Fund cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that any investor in the Fund will receive any distribution from the Fund. Accordingly, an investment in the Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of entities or investment professionals associated with RLJ Equity provide no assurance of future success.

Risks in Effecting Operating Improvements

In some cases, the success of the Fund's investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Fund will be able to successfully identify and implement such restructuring programs and improvements.

Uncertainty of Financial Projections

The General Partner will generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Investments Longer than Term

The Fund may make investments which may not be advantageously disposed of prior to the date the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the General Partner has a limited ability to extend the Fund's term, and the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Fund, the General Partner (or the relevant liquidator) will attempt to reduce to cash and cash equivalents such assets of the Fund as the General Partner or such liquidator shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors in the Fund will occur.

Risk of Limited Number of Investments

The Fund may participate in 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.

Non-Controlling Investments

The Fund may hold non-controlling interests in portfolio companies or have limited abilities to protect its positions in portfolio companies. Also, the Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-investor may have financial difficulties resulting in a negative impact on investments, have economic or business interests or goals which are inconsistent with those of the Fund, or be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In addition, the Fund may in certain circumstances be liable for the actions of its third-party co-investors. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Bridge Financings

From time to time, the Fund may make loans to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would

typically be convertible into more permanent, long-term securities; however, for reasons not always in the Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Fund.

Investment in Restructurings

The Fund may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and distributions by the Fund to the investors in the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, equitable subordination, fraudulent conveyances, avoidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Material, Non-Public Information

By reason of their responsibilities in connection with other activities of the Fund, certain employees of RLJ Equity and its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Fund will not be free to act upon any such information and may not be able to initiate a transaction or sale that it otherwise might have initiated absent such restrictions.

Additional Capital

Certain portfolio companies, especially those in a development or "platform" phase, may be expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. In addition, the Fund may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

Non-U.S. Investments

The Fund may invest in portfolio companies organized and operating principally outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (ii) the absence of uniform corporate governance, accounting, auditing and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (iii) certain

economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, currency exchange rate fluctuations, the risks of political, economic or social instability, and the possibility of expropriation or confiscatory taxation; and (iv) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. There can be no assurance that adverse developments with respect to such risks will not adversely affect the assets of the Fund that are held in certain countries.

Contingent Liabilities on Disposition of Investments; Ability to Re-Call Distributions

In connection with the disposition of an investment in a portfolio company, the Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves or escrows. In that regard, investors in the Fund may be required to return amounts distributed to them to fund obligations of the Fund, including indemnity obligations, subject to certain limitations set forth in the Documents. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each investor in the Fund that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund.

Reliance on the General Partner and RLJ Equity

The General Partner will have exclusive responsibility for the Fund's activities, and other than as may be set forth herein and in the Documents, investors in the Fund will not be able to make investment or any other decisions in the management of the Fund. Investors in the Fund will be relying on the ability of the General Partner and RLJ Equity to select the investments to be made using the capital available to the Fund. There can be no assurance that any professional of the General Partner will continue to be associated with the General Partner or its affiliates throughout the life of the Fund.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the Fund's investments. Instability in the securities markets may also increase the risks inherent in the Fund's investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Geo-Political Conflict

Any threats or acts of war, terrorism, international hostilities, boycotts or embargoes and actions taken by the United States or other governments as a result of such threats or acts may result in disruptions to U.S. and global capital markets, global supply chains, energy supplies and economic conditions. Depending on the extent and duration of such disruption, such acts or threats could adversely affect the business and economic and financial conditions of portfolio companies in their U.S. and global operations.

Tax Considerations

There can be no assurance that the structure of the Fund or any investments by the Fund will be tax efficient for any particular investor. There can be no assurance that the Fund will distribute sufficient cash to cover the full tax liabilities of a particular investor's pro rata share of the taxable income of the Fund. Furthermore, in general, tax laws, rules and procedures are extremely complex and are subject to change, which in some cases may have retroactive effect. The Fund may have investors who are both taxable and tax-exempt and who are both U.S. and non-U.S. taxpayers. Therefore, it may not be possible to structure investments in a manner that suits the tax needs of each investor in the Fund.

Taxation in Other Jurisdictions

If the Fund makes investments in a jurisdiction outside the United States, the Fund or the investors in the Fund may be subject to income or other tax in that jurisdiction. Withholding tax or branch tax may be imposed on earnings of the Fund from investments in such jurisdictions. In addition, local tax incurred in non-U.S. jurisdictions by the Fund or vehicles through which it invests may not be creditable to or deductible by the investors in the Fund.

Indemnification

The Fund will be required to indemnify the General Partner, RLJ Equity, their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders, partners and other persons who serve at the request of the General Partner or RLJ Equity on behalf of the Fund for liabilities incurred in connection with the affairs of the Fund. Members of the Fund's advisory committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Documents. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the partners, managers or affiliates of the General Partner may be subject to derivative or other similar claims brought by security holders of such companies. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unpaid commitments of the investors in the Fund. If the assets of the Fund are insufficient, the General Partner may recall distributions previously made to the investors.

Reliance on Portfolio Company Management

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with the Fund's plans.

Currency and Exchange Rate Risks

A portion of the Fund's investments, and the income received by the Fund with respect to such investments, may be denominated primarily in foreign currencies; however, the books of the Fund will be maintained, and contributions to and distributions from the Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by the Fund. In addition, the Fund will incur costs in converting investment proceeds from one currency to another.

Hedging Policies/Risks

In connection with the financing of certain investments, the Fund may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. Such transactions may entail certain risks including, among others, unanticipated changes in interest rates, securities prices or currency exchange rates. Any such risks may result in a poorer overall performance for the Fund than if it had not entered into such hedging transactions.

Failure to Make Capital Contributions

If an investor in the Fund fails to pay when due installments of its commitment to the Fund, and the capital contributions made by non-defaulting investors and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the investor (including non-defaulting investors). If an investor defaults, it may be subject to various remedies as provided in the Documents, including, without limitation, a forfeiture of its interests in the Fund.

Dilution from Subsequent Closings

Investors subscribing for interests at subsequent closings will participate in existing investments of the Fund, diluting the interest of existing investors therein. In such circumstances, investors will contribute their pro rata share of previously made Fund draws (plus an additional amount thereon), and there can be no assurance that this payment will reflect the fair value of the Fund's existing investments at the time such additional investors subscribe for interests.

Diverse Investor Group

The investors may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner or RLJ Equity, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In addition, the Fund may make investments which may have a negative impact on related investments made by the investors in separate transactions. In selecting, structuring and managing investments appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

Investments in Less Established Companies

The Fund may invest a portion of its assets in the securities of less established companies. Investments in such early stage companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and, in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other investments.

Control Positions

The Fund is likely to be represented on the boards of directors of many of its portfolio companies or have its representatives serve as observers to such boards of directors. Under certain circumstances, employees of RLJ Equity may also serve as officers of portfolio companies. Although such positions in certain circumstances may be important to the Fund's investment strategy and may enhance the General Partner's ability to manage the Fund's investments, they may also have the effect of impairing the General Partner's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the General Partner and the Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Fund will indemnify the General Partner and its representatives from such claims.

Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment in a portfolio company, the Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Fund may establish reserves or escrow accounts. In addition, investors may be required to return amounts distributed to them to fund indemnity obligations of the Fund.

Potential Conflicts of Interest

Investors should be aware that there will be occasions when the General Partner, RLJ Equity and its affiliates may encounter potential conflicts of interest in connection with the Fund. If any matter arises that the General Partner determines constitutes an actual conflict of interest, the General Partner may take such actions as may be necessary or appropriate to ameliorate the conflict (and upon taking such actions, the General Partner will be relieved of any responsibility for such conflict). These actions may include disposing of the security giving rise to the conflict of interest or appointing an independent fiduciary. By acquiring an interest in the Fund, each investor will be deemed to have acknowledged the existence of any such actual or potential conflict of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. The following discussion enumerates certain additional potential conflicts of interest:

- *Carried Interest.* The existence of the General Partner's Carried Interest may create an incentive for the General Partner to make riskier or more speculative investments on behalf of the Fund than would be the case in the absence of this arrangement, although the General Partner's commitment of capital to the Fund should somewhat reduce this incentive. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the General Partner in accordance with procedures set forth in the Documents. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of Carried Interest will be calculated based on the fair market value of in-kind distributions, even though an investor may have elected to receive a distribution of cash in lieu thereof.
- *Other Fees.* The General Partner and its affiliates may be entitled to receive cash and non-cash commitment, break-up, monitoring, directors', organizational, set-up, advisory, investment banking, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions including warrants, options, derivatives and other rights in respect of securities owned by the Fund. Investors will receive the benefit of certain such fees only to the extent set forth in the Documents.
- *Other Activities of RLJ Equity.* It is anticipated that certain RLJ Equity employees will work on other projects during the Funds' term, including RLJ Companies' investments and affiliated real estate, hotel, and other investment vehicles. Accordingly, conflicts may arise with respect to the allocation of limited management resources to the General Partner and the Fund.

Risks Arising from Provision of Managerial Assistance

In order to avoid having the assets of the Fund constitute "plan assets" of any plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), the Fund may be operated as a "venture capital operating company" (a "VCOC") within the meaning of regulations promulgated under ERISA. Operating as a VCOC would require the Fund to obtain rights to participate substantially in and to influence substantially the conduct of the management of a number of the Fund's portfolio companies. The Fund may designate a director to serve on the board of directors of each portfolio company as to which it obtains such rights. The designation of director and other measures contemplated could expose the assets of the Fund to claims by a portfolio company, its security holders and its creditors, and the possibility of successful claims cannot be precluded.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund and the investors' returns from the Fund. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of

financing to reduce or eliminate their exposure to such transactions. Potential investors should consult with their legal, tax and other advisors regarding these and other risks of an investment in the Fund.

ERISA Considerations

In the event the Fund is operated to qualify as a VCOC in order to avoid holding “plan assets” within the meaning of ERISA, the Fund may be restricted or precluded from making certain investments. In addition, it could be necessary for the General Partner to liquidate Fund investments at a disadvantageous time in order to avoid holding ERISA “plan assets,” resulting in lower proceeds to the Fund than might have been the case without the need to qualify as a VCOC.

Item 9 Disciplinary Information

On June 1, 2018, the SEC instituted administrative and cease-and-desist proceedings against RLJ and twelve other registered investment advisers finding that RLJ violated Advisers Act rule 204(b)-1 for failing to file or update a report on Form PF that provides the SEC with information about the private funds RLJ manages. RLJ cooperated with the SEC’s inquiry and paid a \$75,000 civil penalty. RLJ’s delinquency in filing this form was not intentional and was the result of an oversight and misunderstanding of the filing requirement. RLJ has made all required filings for each previous reporting period and instituted policies and procedures to ensure its future Form PF reports are filed in a timely manner. RLJ has also engaged a consultant to enhance and consistently monitor its overall compliance program, as well as engage regulatory counsel to assist meeting its compliance obligations.

Item 10 Other Financial Industry Activities and Affiliations

We are a registered investment adviser with the United States Securities and Exchange Commission. We act as investment adviser to the Fund, and the General Partner of the Fund is our affiliate.

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

We have adopted a Code of Ethics for all employees of the firm describing our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. Our employees must certify at least annually their receipt, understanding and compliance with our Code of Ethics.

We do not as a general practice recommend that the Fund invest in companies in which we or our affiliates have a material ownership interest.

In situations where actual or potential conflicts of interest between us and our affiliates and the Fund is identified, procedures contained in the Documents of the Fund generally provide for submission of the proposed transaction to an advisory committee for review and resolution. The specific procedures are set forth in the Documents of the Fund.

The following factors may alleviate, but will not eliminate, conflicts of interest between the Fund and us and our affiliates:

- The Fund will not make any investment unless RLJ Equity and the Fund’s General Partner believe that such investment is an appropriate investment considered solely from the viewpoint of the Fund;

- Many important conflicts of interest may be resolved pursuant to set procedures, restrictions or other provisions contained in the Documents for the Fund; and
- With respect to the Fund, the advisory committees for the Fund, whose members are not affiliated with the General Partner of the Fund, play an important role in resolving conflicts of interest by approving or disapproving decisions that involve certain conflicts of interest referred to it by the Fund's General Partner in accordance with the relevant Documents for the Fund.

In connection with its investment activities, RLJ Equity may encounter situations in which it must determine how to allocate investment opportunities among the Fund and other persons, which may include, but are not limited to, the following:

- Any alternative investment vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Any co-investment entities that have been formed to invest side-by-side with the Fund (the investors in such co-investment entities may include individuals and entities that are also investors in the Fund (collectively, "Investors") and/or individuals and entities that are not investors in the Fund (collectively, "Third Parties")); and
- Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with the Fund in particular transactions entered into by the Fund.

For each person other than the Fund discussed above, subject to applicable legal, contractual or similar restrictions, RLJ Equity generally may decide, in its sole discretion, whether RLJ Equity or a related person may seek to charge any fees or to receive any performance-based compensation or allocations in connection with such investment opportunities.

Subject to any restrictions contained in the Documents of the Fund or any side-letter or other terms negotiated with respect to the Fund, in general, (i) no Investor has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of RLJ Equity, (iii) co-investment opportunities may, and typically will, be offered to some and not other RLJ Equity Investors, in the sole discretion of RLJ Equity, and (iv) certain persons other than RLJ Equity Investors (e.g., Third Parties) may be offered co-investment opportunities, in the sole discretion of RLJ Equity.

From time to time, RLJ Equity may come into possession of material, nonpublic information. In such cases, the Fund could be restricted indefinitely in transactions involving a particular issuer. Consequently, the possession of material, non-public information by RLJ Equity may limit the ability of the Fund to buy and sell investments. In addition, RLJ Equity may be restricted by contract from using confidential information that it has for the benefit of the Fund.

It is expected that most or all of the employees responsible for advising the Fund will have responsibilities with respect to other funds or entities advised by RLJ Equity, including funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these employees.

RLJ Equity does not affect cross transactions.

The General Partner of the Fund is entitled to carried interest under the terms of the Documents of the Fund. The General Partner is an affiliate of RLJ Equity. The existence of the General Partner's Carried

interest may create an incentive for the General Partner to cause the Fund to make more speculative investments than they would otherwise make in the absence of Carried interest.

The Fund may have tax-exempt, taxable, foreign and other investors, whereas most members of the General Partner are taxable at individual U.S. rates. Potential conflicts exist with respect to various structuring, investment and other decisions because of divergent tax, economic or other interests, including conflicts among the interests of taxable and tax-exempt investors, conflicts among the interests of domestic and foreign investors, and conflicts between the interests of investors and the members of the General Partner. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with our ability to make decisions and complete transactions in the best interest of the Fund.

Our Code of Ethics requires all employees to obtain pre-approval for private placements, IPOs and prohibits insider trading.

A copy of our Code of Ethics will be provided upon request to any investor in our Fund. Such a request can be made by contacting Ernita Thomas at ethomas@rljcompanies.com 240-744-7804.

Item 12 Brokerage Practices

The investments made by the Fund generally do not require the use of a broker-dealer. On certain occasions, however, an investment by the Fund or disposition of securities held by the Fund will require that we select a broker-dealer to execute a transaction. In that case, we will use a broker-dealer whom we have determined will provide the best execution for the transaction. Generally speaking, best execution means the broker's ability to obtain the best qualitative and quantitative execution reasonably available in the circumstances.

We attempt to achieve these results by choosing broker-dealers to execute transactions based on a range of considerations, including:

- The price and size of the order
- The trading characteristics of the securities involved
- The broker's execution capabilities
- Commission rates
- Financial responsibility
- Responsiveness

We do not take the availability of soft dollars into consideration as it is our policy not to accept research or services in exchange for soft dollars.

Item 13 Review of Accounts

RLJ Equity closely monitors the investment portfolio of the Fund. RLJ Equity professionals continually review and analyze existing investments to attempt to identify issues early on and to take action when necessary. RLJ Equity professionals meet periodically to update each other on such investments and related matters.

We provide the following reports to investors in the Fund on an annual basis:

- Audited financial statements
- Tax information necessary for the completion of tax returns
- Capital account summary
- Fund and portfolio company overviews with MD&A

We provide the following reports to investors in the Fund on a quarterly basis:

- Unaudited financial statements
- Capital account summary
- Fund and portfolio company overviews with MD&A

Item 14 Fund Referrals and Other Compensation

We do not receive any economic benefit from any person that is not a client for providing advisory and management services to the Fund.

Item 15 Custody

RLJ Equity may be deemed to have custody of the assets of the Fund as a result of its and the General Partner's authority over the Fund.

It is RLJ Equity's policy to cause the Fund to be audited annually by an independent public accounting firm registered with and subject to regular inspection by the PCAOB. In accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940. Audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), are distributed to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of the Fund, RLJ Equity will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to the Fund to all investors promptly after completion of the audit.

Item 16 Investment Discretion

RLJ Equity provides investment advisory services to the Fund pursuant to the Documents of the Fund. Investment advice is provided by RLJ Equity directly to the Fund, subject to the direction and control of the affiliated General Partner of the Fund. Any restrictions on investments in certain types of securities are established by the General Partner of the Fund and are set forth in the Documents received by each investor prior to investment in the Fund.

Item 17 Voting Client Securities

To the extent matters arise that call for the vote or consent of the investors in a portfolio company of the Fund, we exercise the voting rights on behalf of the Fund. It is our policy to vote all proxies in a manner that best serves the interests of the Fund. An investor in the Fund may obtain a copy of our proxy voting policy by contacting Jesse Burwell at jburwell@rljequity.com or 240-744-7852.

Item 18 Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to the Fund and we have not been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

We have no state registrations as of December 2019.