

# NextGen Growth Partners LLC



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This brochure provides information about the qualifications and business practices of NextGen Growth Partners LLC (along with its affiliates, “NextGen” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (312) 882-8998. 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. Registration as an investment adviser with the SEC does not imply a certain level of skill or training of NextGen or its personnel.

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

## **Item 2. Material Changes**

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The rules promulgated under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) require the Firm to identify and discuss any material changes made to this Form ADV Part 2A since its most recent annual update. The last update for this brochure was filed by NextGen with the SEC March 2023. This annual amendment updates the description of certain risk factors, as appropriate.

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#### **Item 4. Advisory Business**

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NextGen was founded in 2016 by Brian O'Connor and Josh Dennis. The Firm provides discretionary investment management services to private investment vehicles that are typically structured as limited partnerships. NextGen Growth Partners Fund I, LP, NextGen Growth Partners Fund II, LP, NextGen Growth Partners Fund II-B, LP, and a co-invest vehicle, NGP II ABD Co-Invest, LP make private equity and equity-related investments in EBITDA-positive, lower-middle-market companies. Unless clearly specified otherwise, the aforementioned private investment vehicles are collectively referred to herein as the "Clients." The Clients invest primarily in control-oriented buyouts of privately held businesses with \$1 million to \$5 million in annual EBITDA. The Clients utilize an operator-led approach in which an Entrepreneur-in-Residence ("EIR") assists in the sourcing and execution of each transaction.

Investment advice is provided directly to each Client itself and not to the individual investors in the Clients. NextGen manages the Clients in accordance with the investment objectives and limitations set forth in each Client's offering memoranda, governing documents, subscription agreements and any investment management agreement between NextGen and each Client (together, "Operative Documents").

NextGen has, and may in the future, enter into agreements, commonly known as "side letters," with certain investors under which NextGen waives or modifies the application of certain investment terms applicable to such investors, without obtaining the consent of any other investor in the Clients (other than an investor whose rights would be materially and adversely affected by the waiver or modification). See *"Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss"* below for more details.

NextGen does not participate in wrap fee programs.

As of December 31, 2023, NextGen managed approximately \$234,655,766 of regulatory assets, all on a discretionary basis.

#### **Item 5. Fees and Compensation**

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NextGen's fees and compensation arrangements vary depending on the particular Client. The specific terms of such arrangements are set forth in each Client's Operative Documents.

Generally, each Client will pay NextGen a management fee (the "Management Fee") based on 2% of commitments for the first 5 years (investment period) and then change to 2% of invested capital thereafter.

The Management Fee will be reduced by an amount equal to 80% of Transaction Fees attributable to partners not designated as "affiliated partners" by the general partner. "Transaction Fees" include: (i) directors' fees, financial consulting fees or advisory fees paid to the general partner with respect to any Client investment; (ii) transaction fees paid to the general partner with respect to any Client investment; and (iii) break-up fees with respect to Client transactions not completed that are paid to the general partner, in each case net of certain expenses (including those described below) as set forth in the Operative Documents; but not including, in any event, any amount received by the general partner, the Operations Group (or a member thereof) or other person from a portfolio company (a) as reimbursement for expenses directly related to such portfolio company, (b) as payment for services provided to such portfolio company in the ordinary course of such portfolio company's business, (c) as compensation for services provided by the general partner or other person as an employee of or in a similar capacity for

such portfolio company or (d) as compensation (including fees, incentive equity or other stock awards) for services rendered by the Operations Group (or a member thereof) to a portfolio company or prospective portfolio company.

A Client will pay, or reimburse NextGen, for the organization and startup expenses of each Client, the general partner entity, and the offering of interests in the respective Client, including legal, accounting, filing, travel-related expenses and placement agent expenses, and other fees and expenses (“Organizational Expenses”). Each NextGen Growth Partners Fund II portfolio company has a management agreement with the Firm which has an annual fee that is the greater of \$100,000 or a percentage of EBITDA. For this fee, the portfolio company gets the benefit of the Firm’s Operations Group (as defined in the limited partnership agreement). As stated in the limited partnership agreement, costs of the Operations Group are a partnership expense and do not require a management fee offset. For NextGen Growth Partners Fund I, LP, the Firm recently entered into a management fee agreement with one of the portfolio company’s containing a flat fee of \$100,000 per year.

In addition to the Management Fee and Organizational Expenses, the Operative Documents for each Client set forth the other fees, costs and other expenses incurred by or otherwise related to the Clients to the extent not reimbursed by third-parties that are permitted to be borne by the Clients, which include, without limitation, in connection with: (i) acquiring, holding and disposing of investments (including transactions that are not consummated); (ii) legal, consulting, investment banking, commercial banking, borrowing, custodial, auditing, accounting and other professional service fees and expenses; (iii) the preparation of financial statements, tax returns and other filings and Schedule K-1s of the Clients and the general partner; (iv) any actual or threatened litigation, investigation, audit or other proceeding involving the Client, the general partner, the principals or their respective affiliates (and their respective officers, directors and employees) related to activities of the Clients; (v) any taxes assessed against the Clients; (vi) the Clients’ legal and regulatory compliance (but excluding any compliance or related expenses assumed by NextGen related to its registration as an investment adviser with the Securities and Exchange Commission); (vii) insurance premiums on behalf of the Clients, the general partner, NextGen and their respective affiliates (and their respective officers, directors and employees) and premiums for any “key man” insurance; (viii) indemnification under the partnership agreement; (ix) the managed distribution of marketable securities; (xii) the liquidation and winding up of the Client; (xiii) annual or other meetings of the partners and the advisory committee, whether individually or as a group; and (xiv) all other ordinary operating expenses and non-recurring or extraordinary expenses attributable to the activities and operations of the Clients, including travel-related expenses (e.g., travel, accommodations, meals and entertainment).

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

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When certain performance hurdles are met, the general partner of such Client is entitled to receive a distribution of the investment proceeds as performance-based incentive compensation (any such compensation is referred to in this brochure as the “Carried Interest”). The payment of the Carried Interest to the general partner is subject to certain conditions being satisfied such as the payment to Client investors of a predetermined rate of return on their invested capital, and once such condition has been satisfied, there may be a payment to the general partner or manager of a “catch-up” distribution as described in the Operative Documents for each Client. Certain Clients have established a distribution waterfall describing the distribution priority which subjects certain general partner distributions to a claw back. For more information regarding the specific terms of the Carried Interest, please consult each of the Operative Documents for the Clients.

From time to time, instances arise where the interests of the Firm, its employees and/or principals, conflict with the interests of the Clients and their investors. For example, the existence of the general partner's carried interests creates an incentive for the Firm to make more speculative investments on behalf of the Clients than it would otherwise make in the absence of such performance-based arrangements. However, the Firm is committed to acting at all times in the best interest of the Clients.

## **Item 7. Types of Clients**

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NextGen provides discretionary investment advice to the Clients. The Clients' investors are limited to individuals and entities that meet certain suitability criteria including "accredited investors", "qualified clients" and "qualified purchasers". The Clients are marketed to certain investors including, without limitation, high-net worth individuals, institutional investors and private limited liability corporations.

An investment in one or more Clients should be based on a prospective investor's careful analysis of its overall portfolio and its own objectives and needs in the areas of diversification, liquidity, return on investment and risk management.

Each Client imposes minimum investor qualification standards and minimum investment requirements. Investors in the Clients should review the respective Operative Documents for additional information regarding suitability and the subscription process.

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

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### **Methods of Analysis and Investment Strategies**

NextGen's strategy is to utilize the Firm's extensive operating and transaction experience to improve the long-term growth and profitability of its Clients' portfolio companies. NextGen seeks opportunities where the expertise of the NextGen staff and principals makes the Firm a differentiated, value-added partner. NextGen believes that making companies strategically stronger enhances their value and is the key to consistently attractive investment returns.

The primary objective of NextGen's investment strategy is to proprietarily source fundamentally sound companies with strong growth potential in those instances where sellers are seeking to augment management teams and/or transition out of the business completely. NextGen's EIRs and strategic advisors, together with the Firm's experienced investment professionals, committed capital and track record, offer a differentiated value proposition to owners. Consequently, this combination facilitated below-market acquisition valuations of and set the stage for subsequent growth in the portfolio companies held by Clients.

The Firm will seek to employ a four-pronged approach: recruit talented operators as EIRs; support EIRs in sourcing and deal execution with experienced investment professionals; grow portfolio companies by investing in their teams, process and infrastructure under the direction of an EIR-turned-CEO and with the support of a selected board of directors; and exit positions to strategic and/or financial buyers at higher valuations.

### **Risks of Loss**

There are significant risks inherent in this investment strategy. An investment in the Clients is highly speculative and involves certain risks, potential conflicts of interest and tax considerations that

prospective investors should consider before subscribing and, therefore, should be undertaken only by investors capable of evaluating the risks of the Clients and bearing the risks that it represents. There can be no assurance that a Client will be able to implement its stated investment strategy or achieve its investment objective, or that investors will receive a return on their capital. Set forth below is a summary of some of the investment risks disclosed in greater detail in each of the Clients' offering documents. Please refer to each of the Clients' Operative Documents for more information on these and other risks relating to NextGen's business and investments in the Clients.

***Impact of Government Regulation and Reform.*** The SEC has proposed and enacted significant rules that will impact the business of NextGen and the Clients. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact NextGen and its affiliates, the Clients and/or their investments. In addition, the Clients are expected to bear significant increased costs as a result of such rules, including costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the Clients. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

***Investments in Private Companies.*** The Clients investment portfolios are expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

***Future and Past Performance; Loss of Principal.*** The Clients consist of newly organized entities that have no prior operating history or track record. Accordingly, the Clients in some cases may not have performance history for a prospective investor to consider. In considering the prior performance information of the other investment Clients managed or advised by NextGen or an affiliate thereof, prospective investors should understand that an investment in a Client does not represent an interest in any investment or investment portfolio of any other NextGen-advised Client. Information about the prior performance of NextGen-advised Clients is not necessarily indicative of a Clients future results, and there can be no assurance that the Client will achieve comparable results. An investor should not rely on any expectation and there can be no assurance that the risk/return profile of an investment in any Client will resemble that of the prior NextGen-advised Clients. An investor should only invest in a Client as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in a Client. While the general partner intends for Clients to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of the Client's investments, loss of principal will be possible.

***Illiquidity; Lack of Current Distributions.*** An investment in any Client should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. A Clients ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Clients. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, a Client

generally will not be able to return capital or realize gains, if any, on an investment in a privately held entity until the partial or complete disposition of such entity. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Client (including the management fee payable to the management company or its designated affiliate) may exceed its income, thereby requiring that the difference be paid from the Client's capital, including unfunded commitments.

**Custodial Risk.** The Firm is required to maintain certain client assets at a qualified custodian. A custodian will have custody of Client assets, including securities, cash, distributions and rights accruing to a Client's securities accounts. The Clients may incur a loss on securities and funds held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration or inadequate recordkeeping. If the custodian holds cash on behalf of a Client account, the Client may be an unsecured creditor in the event of the insolvency of the custodian. In addition, prior to acceptance by a Client, subscription amounts are subject to a variety of risks, including the risk of insolvency of any custodian that maintains an account for the deposit of such amounts. Establishing multiple custodial relationships could mitigate custodial risk in the event of a bank failure.

**Uncertainty in the U.S. and Global Financial Markets.** Similar to the upheavals in the United States and global financial markets that began in 2008, the recent banking crisis has the possibility of extraordinary and unprecedented uncertainty and instability in such markets. There can be no assurances that conditions in the global financial markets will not adversely affect one or more of a Client's portfolio companies or other investments, its access to capital or leverage, or its overall performance.

**Bank Deposits Risk.** Deposits maintained at an FDIC-insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash at a single bank may be lost in the event the bank fails. Any deposit in excess of the maximum amount insured by the FDIC is an uninsured deposit. Diversifying banking relationships could serve to minimize the potential uncertainty and destabilizing effect on the Firm's operations because of concern regarding the financial viability of a single banking institution. In addition, valuation of companies may experience significant price declines, volatility, and liquidity concerns as a result of short- and long-term financing to continue operations at normal levels.

**Sanctioned Investors.** If, after subscribing to a Client, a limited partner is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including OFAC or equivalent non-U.S. authorities) (a "Sanctions List"), the relevant General Partner will have the sole discretion to determine the resolution, remedy and manner of compliance of the Client with applicable laws, including without limitation a "freeze" on distributions and/or capital calls from the relevant limited partner and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on the Client's activities, could materially and adversely affect the Clients.

**Cybersecurity Risks and Identity Theft.** Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. The Clients and their portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the general partner intends to implement various measures to manage risks relating to these types of events, if these systems are compromised,



become inoperable for extended periods of time or cease to function properly, the general partner, a Client and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the general partner's, the Clients and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the general partner, the Client's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims and/or regulatory actions or otherwise affect their business and financial performance. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Client, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the general partner or one of its affiliates or service providers holding its financial or investor data, the general partner, its affiliates or the Client may also be at risk of loss.

***Business Continuity and Disaster Recovery.*** NextGen's business operations could become vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, and earthquakes), epidemics and pandemics, terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although NextGen has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies are planned for. If such business operations are disrupted or suspended for extended periods of time, the Clients may be adversely affected.

***Public Health Emergency.*** Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on investments held by the Clients and could adversely affect the Firm's ability to fulfill such Client's investment objectives. The extent of the impact of any public health emergency on a Client's investments and operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, unemployment levels, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency could materially and adversely impact the value and performance of a Client's investments, the Firm's ability to source, manage and divest investments on behalf of a Client, and the ability to achieve investment objectives, all of which could result in significant losses to the investors. In addition, the operations of a Client and the Firm could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

**Side Letters.** Certain Clients have entered into side letters or other writings with certain limited partners in connection with their admission, without the approval of any other limited partner, which has the effect of establishing rights under or altering or supplementing the terms of a Client's governing documents. Such rights or terms in any such side letter or other similar agreement have included, without limitation: (i) excuse rights applicable to particular investments (which could increase the percentage interest of other limited partners in, and contribution obligations of other limited partners with respect to, such investments); (ii) the general partner's agreement to extend certain information rights or additional reporting to such limited partner, including, without limitation, to accommodate special regulatory or other circumstances of such limited partner; (iii) modification of the confidentiality obligations of such limited partner; (iv) the general partner's agreement to consent to certain transfers by such limited partner or other exercises by the general partner of its discretionary authority under a Client's partnership agreement for the benefit of such limited partner; (v) restrictions on, or special rights of such limited partner with respect to, the activities of the general partner; (vi) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such limited partner; (vii) additional obligations, and restrictions of a Client with respect to the structuring of any portfolio investment (including with respect to alternative investment vehicles); (viii) preferential access to co-investment opportunities; and (ix) certain adjustments with respect to certain economic provisions. Any rights or terms so established in a side letter with a limited partner will govern solely with respect to such limited partner and will not require the approval of any other limited partner notwithstanding any other provision of a Client's partnership agreement. Absent agreement to the contrary or as required by law, NextGen is not required nor does it expect to disclose the terms of a side letter to any investor not party to such side letter nor to offer comparable terms to such investors.

As noted in Item 4 above, in connection with or as a condition to an investor's agreement to invest in a Client, the Client or its general partner may from time to time enter into a "side letter" or similar agreement with an institutional or other investor pursuant to which the Client or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, "most favored nation" clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Client, notice rights upon the occurrence of certain events, seats on a Client's limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in the Client, additional representations and warranties from the Client, its general partner and/or the Firm, modifications to the subscription agreement and other benefits. While the ability of a Client or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in the Client, the terms of such "side letters" or similar agreements are generally not disclosed to other investors in the Client, except to investors that have separately negotiated for the right to review such agreements.

**Artificial Intelligence.** The emergence of technological developments in artificial intelligence and machine learning (collectively, "AI") can pose risks to NextGen, the Clients, and their investments. NextGen maintains risk-based policies and procedures governing the use of AI internally. Nonetheless, NextGen is exposed to the risks of these developing and evolving technologies, including in situations where AI is used by third-party service, data, or information vendors, or by companies where the Clients have or are considering for investment. Use of AI implicates risks resulting from inaccuracies in data input and output or signals, modeling, and information security and related regulatory developments. These risks may subject NextGen to potential litigation (particularly trademark, licensing, terms of use,

and copyright claims), conflicts of interest, and/or other legal or operational risks. NextGen's policies and procedures regarding the use of AI potentially disadvantage NextGen competitively.

***Social Media and Publicity Risk.*** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation without independent or authoritative verification. Any such information or misinformation regarding NextGen, the Clients or one or more portfolio companies could have a material and adverse effect on the value of the Clients.

## **Item 9. Disciplinary Information**

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There have been no legal or disciplinary events to disclose that are material to an investor's or prospective investor's evaluation of NextGen's advisory business or integrity of management.

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

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Neither NextGen nor its affiliates are registered, nor have an application pending to register as a broker-dealer. Further, neither NextGen nor its affiliates are registered, nor have an application pending to register as a futures commission merchant, commodity pool operator, a commonly trading adviser, or an associated person of the forgoing entities.

NextGen Growth Partners GP, LLC is an affiliate of the Firm and serves as the general partner of NextGen Growth Partners Fund I, LP.

NextGen Growth Partners Fund II GP, LP is an affiliate of the Firm and serves as the general partner of NextGen Growth Partners Fund II, LP.

NextGen Growth Partners Fund II GP, LP is an affiliate of the Firm and serves as the general partner of NextGen Growth Partners Fund II-B, LP.

NextGen Growth Partners Fund II UGP, LLC ("UGP") is the general partner of NextGen Growth Partners Fund II GP, LP which is the general partner of NextGen Growth Partners Fund II, LP and NextGen Growth Partners Fund II-B, LP. Brian O'Conner is the sole member of UGP.

NextGen Growth Partners Fund II GP, LP is an affiliate of the Firm and serves as the general partner of NGP II ABD Co-Invest, LP.

NextGen and its affiliates will devote such time as shall be necessary to conduct the business affairs of the Clients in an appropriate manner. NextGen principals may become involved in other business ventures, and could have incentives to favor certain of these ventures over the Clients. The Clients will not share in the risks or rewards of such other ventures, and such other ventures might compete for the general partner's, NextGen's and their principals' time and attention and create other conflicts or potential conflicts of interest. Neither NextGen nor any of NextGen's professionals are required to devote their entire time and attention to the affairs of any one of the Clients but are expected to commit a substantial portion of their time and attention to the Clients.

Each of the Clients for which NextGen or its related persons serve as investment manager has entered into and expects in the future enter into agreements, or “side letters,” with certain prospective or existing investors whereby such investors, including in some cases investors that are such persons that may be affiliated with NextGen or its related persons, are subject to terms and conditions that are more advantageous than those set forth in the governing documents for the particular Client and which apply to other investors in the Client. For example, a side letter could provide for special rights to make future investments in a Client, other investment vehicles or managed accounts; offer special redemption rights, including those relating to frequency or notice; provide a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; include rights to receive reports from a Client on a more timely or frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by NextGen, on behalf of the Clients, with an investor. The determination of whether to enter into a side letter is solely at the discretion of NextGen and could, among other things, be based on the size of the investor's investment in a Client or affiliated investment entity, an agreement by an investor to maintain such investment in a Client for a significant period of time, or other similar commitment by an investor to a Client. In some cases, a side letter that benefits a party to that side letter could work to the detriment of other investors. Absent an agreement to the contrary or as required by applicable law, NextGen is not obligated to inform other investors of the terms of any side letter or offer equally favorable terms to such other investors.

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

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Pursuant to Rule 204A-1 of the Advisers Act, NextGen adopted a Code of Ethics (referred to in this brochure as the “Code”) to ensure that NextGen fulfills its role as a fiduciary to the Clients. The interests of the Clients must always be recognized, respected, and have precedence over NextGen employees. The Code requires that NextGen employees act in the best interests of the Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent they arise. NextGen employees are also required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by NextGen or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of NextGen’s personnel. The Code requires that personnel pre-clear certain transactions, report personal securities transactions in accordance with the Code on at least a quarterly basis and submit reports to NextGen regarding personal accounts and reportable securities holdings at least annually. The Code also (i) addresses outside activities of employees, conflicts of interest, and policies and procedures concerning the prevention of insider trading, (ii) includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and (iii) addresses the pre-clearance and reporting of political contributions. Employees are required to provide a written certification to NextGen agreeing to comply with the Code. Copies of this Code can be requested by contacting NextGen’s Chief Compliance Officer.

Neither NextGen, nor any of its related persons, recommend that any Client acquire or sell securities in which NextGen or any related person has a material financial interest.

As a matter of general practice, neither NextGen, nor any of its related persons, acquire or sell securities that are also recommended to the Clients.

**Allocation of Investment Opportunities and Other Accounts.** From time to time, investment opportunities may arise that are appropriate for an investment by more than one Client or for which one or more Clients should have priority based on the governing documents of the Clients. The Operative Documents for the Clients and NextGen's policies generally set forth the allocation guidelines to apply if and to the extent an opportunity is appropriate for more than one Client at a particular point in time. Such documents generally provide NextGen with the discretion to allocate among Clients on a fair and equitable basis.

**Directors and Officers.** Certain employees of NextGen serve as directors or officers of entities through which investments by the Clients are held.

**Co-Investment Opportunities.** NextGen has, and may in the future, but is not required to, offer (or permit the offering of) investment opportunities, including co-investment opportunities, in certain Client investments to existing investors or third parties. In certain cases, such entity may bear expenses related to its formation and operation, many of which are similar in nature to those borne by the other Clients. To the extent NextGen or the general partner's receive any compensation or fees as a result of such co-investment arrangement, such fees are neither payable to the Clients nor credited against future management fees.

## **Item 12. Brokerage Practices**

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NextGen has discretion regarding the types of investments to be made by the Clients, subject to each of the Clients' investment strategies and purpose as set forth in the Operative Documents of each of the Clients. NextGen generally does not make recommendations for investments by the Clients in public securities as most investments are in privately negotiated private company transactions. Accordingly, NextGen does not frequently select or recommend broker-dealers for Client transactions. In the event that a broker-dealer is selected or recommended, NextGen will employ a due diligence process to ensure that any such transaction is executed in the best interest of the Clients, taking into account certain factors such as a broker's execution capability and trading expertise, in addition to pricing.

- NextGen does not have any soft dollar arrangements.
- NextGen does not receive Client or investor referrals from broker-dealers and does not typically select or recommend broker-dealers.
- NextGen does not have directed brokerage dealings.

Generally, aggregation of the purchase or sale of securities for various Client accounts does not apply to NextGen as NextGen primarily invests in private company financings.

## **Item 13. Review of Accounts**

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NextGen's investment professionals continually review and monitor the Clients' investments. NextGen's investment professionals routinely meet to discuss investment management activities as well as potential new investment opportunities. NextGen's investment committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Clients' existing investments, including disposition and refinancing.

More frequent reviews will be triggered by material changes in key variables that could affect the performance of the portfolios or the investments within them, including changes in the financial markets and activity and trends in the political or economic environment.

In addition to audited financial statements, which are prepared by an independent accountant, the Firm also seeks to provide unaudited performance information for the Clients to investors on at least a quarterly basis. NextGen will distribute certain other reports to the Clients' investors upon specific requests from time to time.

#### **Item 14. Client Referrals and Other Compensation**

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NextGen does not receive economic benefit from someone who is not a Client for providing investment advice or other advisory services to NextGen's Clients.

Neither NextGen nor any of its related persons compensate any person who is not a supervised person for Client referrals.

#### **Item 15. Custody**

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While the Firm or certain affiliates are deemed to have custody of certain Client assets and securities, the Firm itself does not maintain physical custody of such assets. As set forth in Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), all Client funds that fall under the purview of the Custody Rule are held at accounts maintained in the name of the applicable Client by entities deemed qualified custodians as defined in the Custody Rule. Additionally, NextGen delivers audited financial statements of the Clients' to all investors in such Clients' within 120 days of each fiscal year end. The financial statements are prepared in accordance with GAAP and are audited by an independent accountant.

#### **Item 16. Investment Discretion**

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NextGen exclusively manages the business of the Clients and has discretionary investment authority to manage the making of new investments by the Clients and the management of the existing investments held by the Clients. Generally, this authority is provided for in each Client's Operative Documents. In addition, investors in the Clients must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

#### **Item 17. Voting Client Securities**

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NextGen's investment strategy does not generally involve the acquisition of public securities with voting authority, making it unlikely that a Client will be placed in a position of proxy voting authority. However, if a Client does come into possession of securities with voting rights, the Firm will implement the appropriate policies and procedures and seek to vote proxies in the best interests of its Clients.

#### **Item 18. Financial Information**

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NextGen is not aware of any financial conditions that would be reasonably likely to impair NextGen's ability to meet contractual commitments to the Clients.

