



**MiddleGround Management, LP**

1500 Aristides Blvd.,  
Lexington, KY 40511

March 2024

<https://middleground.com>

This Brochure provides information about the qualifications and business practices of MiddleGround Management, LP (“MiddleGround” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 859.721.1466 or [mmcclinton@middleground.com](mailto:mmcclinton@middleground.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.

MiddleGround Management, L.P. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

This Brochure dated March 29, 2024 reflects the increase in MiddleGround’s regulatory AUM from \$2.858B to \$3.758B.

Disclosure of MGC Partners were expanded upon (Item 4).

Descriptions fees were expanded upon (Item 5).

Descriptions of investment strategies, integration of sustainable risks, and other risk were included and expanded upon (Item 8).

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## Item 4 – Advisory Business

MiddleGround was originally organized as a Delaware limited liability company on February 13, 2018, named "MiddleGround Capital Partners, LLC" and was converted into a Delaware limited partnership on May 7, 2018. When converted to a limited partnership, it was re-named "MiddleGround Management, L.P." MiddleGround Management, LP, is controlled by John Stewart and Scot Duncan. In addition to John Stewart and Scot Duncan, Lauren Mulholland, Monica McClinton, Justin Steil, Chris Speight and Christen Paras, jointly ("MGC Partners") own economic interests in the Management Company.

MiddleGround provides investment advisory services to various private equity funds and co-investment vehicles, each a private equity fund. The private equity funds MiddleGround advises are (i) MiddleGround Partners I, L.P., (ii) MiddleGround Mobility Opportunity Fund, L.P., (iii) Mobility Opportunity Fund, L.P., (iv) MiddleGround Partners II, L.P., (v) MiddleGround Partners II-X, L.P., (vi) MiddleGround Partners II FF, L.P., (vii) MiddleGround Partners III, L.P., (viii) MiddleGround Partners III-X, L.P., (ix) MiddleGround Mobility Opportunity Fund II, L.P., ("MiddleGround Funds"), and co-investment vehicles (x), MiddleGround Como Co-Invest Partners, L.P. (the "Como Co-Invest Vehicle"), (xi) MiddleGround Piston Co-Invest, L.P. (the "Piston Co-Invest Vehicle"), (xii) MiddleGround Force Co-Invest Partners II, L.P., (xiii) MiddleGround Force X Co-Invest Partners, L.P., (the "Force Co-Invest Vehicles"), (xiv) MiddleGround Royal Palm Co-Invest Partners, L.P. ("the Royal Palm Co-Invest Vehicle"), (xv) MiddleGround Checker Co-Invest Partners, L.P. ("the Checker Co-Invest Vehicle"), (xvi) MiddleGround Copper Co-Invest Partners, L.P. ("the Copper Co-Invest Vehicle"), (xvii) MiddleGround Cassette Co-Invest Partners, L.P. ("the Cassette Co-Invest Vehicle"), (xviii) MiddleGround Protect Co-Invest Partners, L.P. ("the Protect Co-Invest Vehicle"), (xix) MiddleGround Dolphin Co-Invest Partners, L.P. ("the Dolphin Co-Invest Vehicle"), (xx) MiddleGround Apex Co-Invest Partners, L.P. ("the Apex Co-Invest Vehicle"), and (xxi) MiddleGround Carbon CV, L.P., ("the Carbon Continuation Vehicle"). Each of the co-invest vehicles has been established for co-investment in a single opportunity, and the continuation vehicle invested in a specific set of portfolio company investments previously owned by MiddleGround Partners I, L.P. An affiliate of MiddleGround holds a small investment in the Piston Co-Investment Vehicle.

MiddleGround previously advised MiddleGround Arbor Co-Invest Partners, L.P. (The "Arbor Co-Invest Vehicle"), a co-investment for a single opportunity with one limited partner, and MiddleGround Partners AC, L.P. (the "AC Investment Vehicle"), an investment vehicle established primarily for the benefit of a single institutional investor. The AC Investment Vehicle's sole investment was contributed to the MiddleGround Partners I, L.P. and the Arbor Co-Invest Vehicle on January 1, 2019.

MiddleGround will no longer make investments through the AC Investment Vehicle and the Arbor Co-Investment Vehicle.

MiddleGround may in the future establish and advise additional co-investment vehicles as well as other investment accounts (all such co-investment vehicles and investment accounts collectively with the MiddleGround Partners I, L.P., MiddleGround Partners II, L.P., Mobility Opportunity Fund, L.P., MiddleGround Mobility Opportunity Fund, L.P., and MiddleGround Mobility Opportunity Fund II, L.P., (The "Clients").

The investment objectives and strategy of each Client is, and for future Clients will be, set forth in the governing agreements and/or offering documents for such Clients (collectively, "Governing Documents"). Any restrictions on investments is, and for future Clients will be, contained in each such Client's Governing Documents.

MiddleGround does not participate in any wrap fee programs.

As of December 31, 2023, MiddleGround manages approximately \$3,758,843,366 of regulatory assets under management.

## **Item 5 – Fees and Compensation**

The specific manner in which MiddleGround charges fees for a Client is established in the Governing Documents for such Client. MiddleGround and/or its affiliates generally earn the following compensation from the Clients: (1) a management fee as set forth in the applicable Governing Documents; and (2) performance-based compensation calculated upon a specified percentage of the Client's return on its invested capital.

The management fee (the "Management Fee") is paid to MiddleGround Partners I, L.P., MiddleGround Partners II, L.P., MiddleGround Partners II FF, L.P., and MiddleGround Partners III, L.P., periodically by the Underlying Investors in accordance with the terms of the Client's Governing Documents and is generally 2.0% of committed capital during such Client's investment period and 2.0% of invested capital after the expiration of the applicable Client's investment period. Management Fee rates typically decrease after each relevant vehicle's investment period expires. The Management Fee payable for any payment period that is less than a complete calendar quarter or year, as applicable, shall be calculated on a *pro rata* basis to reflect the actual number of days during such payment period to which the Management Fee relates. MiddleGround may decrease, or waive in whole or in part, the Management Fee for any investor in a Client ("Underlying Investor").

The management fee (the "Management Fee") is paid to MiddleGround Mobility Opportunity Fund, L.P., Mobility Opportunity Fund, L.P., MiddleGround Opportunity Fund II, L.P., and co-

investment vehicles periodically by the Underlying Investors in accordance with the terms of the Client's Governing Documents and is 1.0% of invested capital during both the Investment Period and after the expiration of the Investment Period. Management Fee rates typically decrease after each relevant vehicle's investment period expires. The Management Fee payable for any payment period that is less than a complete calendar quarter or year, as applicable, shall be calculated on a *pro rata* basis to reflect the actual number of days during such payment period to which the Management Fee relates. MiddleGround may decrease, or waive in whole or in part, the Management Fee for any investor in a Client ("Underlying Investor").

All fees are subject to negotiation, and future Underlying Investors may have differing fee arrangements. It is critical that potential Underlying Investors refer to the applicable Client's Governing Documents for a complete understanding of how MiddleGround is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

### **Organizational Fees and Expenses**

As more fully detailed in the applicable Governing Documents, each Underlying Investor is required to bear its *pro rata* share, based on its commitments, of third-party out-of-pocket expenses incurred by the general partner (the "General Partner") and its affiliates in connection with the organization of a Client. Each Client, is generally subject to a specified limit, is responsible for the organizational fees and expenses incurred in connection with the creation, and the marketing and offering of interests in such Client, including all legal, accounting and filing expenses, printing costs, travel and accommodation expenses, and other related fees and expenses (the "Organizational Expenses").

### **Client Expenses**

Except as may otherwise be expressly provided in the applicable Governing Documents, each Client pays its Management Fee and is responsible for paying or reimbursing MiddleGround and/or the General Partner (including any other entity serving in a similar managing fiduciary capacity) of each Client directly for all out-of-pocket fund expenses (the "Client Expenses"), which the General Partner of the applicable Client may decrease, or waive in whole or in part, for any Underlying Investor.

Each Client is generally responsible for paying all of its operating, offering and organizational costs (up to certain limits specified in the applicable Governing Documents), including, without limitation, expenses incurred in connection with the sourcing, evaluation, acquisition, financing, holding, monitoring, hedging or disposition of Fund investments

(including Fund investments that are not consummated), including private placement fees, sales commissions, appraisal fees, brokerage fees, underwriting commissions and discounts, travel expenses, and legal, accounting, investment banking, consulting, information services, and professional fees; (ii) fees and expenses incurred in connection with the carrying or management of the Fund investments, including administrative, custodial, trustee, recordkeeping, and other similar fees; (iii) expenses incurred in connection with the Fund's financial statements, tax returns, Schedules K-1, consents and other communications with Partners; (iv) attorneys' and accountants' fees and disbursements (including any additional third-party tax preparation expenses); (v) taxes and other governmental charges levied against the Fund (other than Investor-Related Taxes); (vi) fees and expenses incurred in connection with any tax audit by any taxing authority (including any related administrative settlement and judicial review) and compliance with any tax or financial account reporting regime (including FATCA (as defined below) and any similar law, intergovernmental agreement or other legal or administrative requirement promulgated or agreed to by any jurisdiction, including the Standard for Automatic Exchange of Financial Account Information (Common Reporting Standard) of the Organisation for Economic Co-operation and Development), (vii) insurance, regulatory compliance, or litigation expenses and damages, including ongoing compliance, regulatory expenses of the General Partner and the Management Company and indemnification expenses (but excluding any costs and expenses incurred by the Delaware General Partner and/or the Management Company in connection with their ongoing regulatory and compliance obligations under the U.S. Investment Advisers Act of 1940, as amended (together with the regulations promulgated thereunder, the "Advisers Act"))); (viii) expenses incurred in connection with the winding-up or liquidation of the Fund; (ix) expenses relating to defaults by Partners in the payment of any capital contributions; (x) expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund and related entities, including the General Partner and the Management Company; (xi) expenses incurred in connection with the formation of alternative investment vehicles; (xii) "broken-deal" expenses, including legal and other advisory fees (and including, without limitation, broken-deal expenses in respect of co-investors' proportionate share of the applicable unconsummated investment; provided that the General Partner shall use reasonable efforts to seek for prospective co-investors to agree to bear their applicable proportionate shares of such broken-deal expenses); (xiii) expenses incurred in connection with distributions to the Partners and in connection with any meetings of the Limited Partners called by the General Partner; (xiv) any fees and expenses, including interest expenses, incurred in respect of any financing facility or other indebtedness; (xv) any costs and expenses required to be paid in connection with any financing facility or other indebtedness to be obtained or assumed in connection with any Fund investment, including the legal fees and expenses of lenders' counsel, the fees and expenses of the Fund's counsel, broker's fees, lenders' assumption or transfer fees and required reserves; (xvi) reimbursement of any reasonable expenses of the LP Advisory

Committee; (xvii) the Management Fee; (xviii) fees and related expenses charged in respect of Internally Provided Services (as defined below).

### **Internally Provided Services**

The General Partner may, in its sole discretion, decide to have certain services that have historically been provided to the Fund or to Fund portfolio companies by third parties, including, without limitation, fund administration, accounting, bookkeeping, data management, loan servicing, financial planning, and engineering, scientific and other technical consulting services, or any other third party service as determined by the General Partner, in its sole discretion (the “Internally Provided Services”) instead be performed by the employees and other personnel of the Management Company and its affiliates. Any fees and related expenses that would otherwise be charged by a third party to the Fund or portfolio company for the provision of such Internally Provided Services may instead be paid by the Fund or the applicable portfolio company to the Management Company or an affiliate thereof. The fees and expenses charged by the Management Company and its affiliates in respect of Internally Provided Services may not exceed the rates that would be charged in respect of Internally Provided Services by bona fide third-party providers of such services in arms’ length transactions, as determined by the General Partner in good faith (the “Benchmark Rates”). The General Partner will provide the LP Advisory Committee on an annual basis with (x) a summary of the Internally Provided Services that the Management Company and its affiliates provided to the Fund (and any portfolio companies) during the applicable fiscal year, (y) the rates and amounts charged for each such Internally Provided Service, and (z) the applicable Benchmark Rate for each such Internally Provided Service. For the avoidance of doubt, fees and expenses charged by the Management Company and its affiliates in respect of Internally Provided Services will not be deemed to be Transaction Fees or Monitoring Fees (as each defined below), and will therefore not be applied to reduce, or be offset against, Management Fees.

### **Overhead Expenses**

In consideration for the Management Fee, except in respect of Internally Provided Services or as otherwise set forth in the Partnership Agreement, the Management Company or an affiliate thereof will pay, and the Fund will not be obligated to pay, the following expenses related to the operation of the Management Company: salaries and fringe benefits of professional, administrative and other personnel of the Management Company, excluding Operating Partners (See “Operating Partners” below); rent; office equipment; computer equipment; fire and theft insurance; heat, light, cleaning, power, water and other utilities of



any office space maintained by the Management Company on its own behalf; and any other overhead-type expenses, not attributed to the employment of Operating Partners. Notwithstanding the foregoing and for the avoidance of doubt, fees and expenses charged by the Management Company and its affiliates in respect of Internally Provided Services may be charged to the Fund and/or portfolio companies as set forth in certain Partnership Agreements.

## **Operating Partners**

The General Partner expects, in its sole discretion, to engage a number of individuals to serve as operating partners (“Operating Partners”) for the Fund. Operating Partners will be knowledgeable and skilled individuals with various levels of business experience, including, but not limited to, analyzing, managing, and operating companies of the type targeted by the Fund. Operating Partners may serve as board members and/or executive officers of portfolio companies or may provide consulting services to such portfolio companies. Operating Partners may be entitled to receive equity interests in the General Partner and/or make investments in the companies acquired by the Fund through an appropriate vehicle established by the General Partner. Operating Partners may be on the payroll of the Management Company and may participate in any and all benefits plans available to employees of the Management Company. For the avoidance of doubt, the General Partner, in its sole discretion, may allocate the time and expenses of any Management Company employee that is performing the work as an Operating Partner, and all employees working to support the duties of the Operating Partners, including travel and entertainment expenses and such other expenses as the General Partner may determine in its sole discretion, to the applicable portfolio company, in such way as determined by the General Partner, in its sole discretion, with such portfolio company being responsible for such Operating Partner’s time and expenses.

## **Continuation Fund**

MiddleGround sponsored an investment vehicle that purchased certain portfolio investments from MiddleGround Partners I, L.P. in order to allow Limited Partners in such existing Fund to invest in such Continuation Vehicle through a rollover of its interest. The Carbon Continuation Vehicle does not pay a management fee with respect to its Limited Partners, and MiddleGround reserves the right in its sole discretion to charge management fees to any other continuation vehicles that could be formed in the future.

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

In addition to the compensation discussed in Item 5 – Fees and Compensation, the General Partner for each Client, which is (and will generally be expected to be) an affiliate of MiddleGround, is eligible to receive performance-based compensation (“Carried Interest”) from each Client, which will be paid in accordance with the Governing Documents and consistent with Section 205(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or Rule 205-3 thereunder. The Carried Interest that the General Partner is entitled to in respect of a pooled-investment Client is set forth in each of the Client’s governing documents.

The Carried Interest payable by a Client to an affiliate of MiddleGround may create an incentive for MiddleGround to make riskier or more speculative investments on behalf of a Client than would be the case in the absence of such performance-based compensation. However, this risk is mitigated to some extent due to the following: (1) the payment of Carried Interest is generally based on the success of all investments made by the Client and not any single investment, and therefore MiddleGround’s total Carried Interest would be affected by any single unsuccessful investment; (2) the Carried Interest paid to the General Partner is required to be returned to the applicable Client if such Client has not received its preferred return as of the date of the completion of the liquidation and winding down of the applicable Client; and (3) MiddleGround’s personnel will generally make capital commitments to the Clients, which align its interests with that of its Clients, with the exception of co-investment vehicles.

## **Item 7 – Types of Clients**

MiddleGround provides discretionary investment management services to its Clients, which currently includes the MiddleGround Partners I, L.P., MiddleGround Partners II, L.P., MiddleGround Partners II-X, L.P., MiddleGround Partners II FF, L.P., MiddleGround Mobility Opportunity Fund, L.P., Mobility Opportunity Fund, L.P., MiddleGround Partners III, L.P., MiddleGround Partners III-X, L.P., and Mobility Opportunity Fund II, L.P. (pooled investment vehicles), and co-investment vehicles for specific investments, the Como Co-Invest Vehicle, the Piston Co-Investment Vehicle, the Force Co-Invest Vehicles, the Royal Palm Co-Investment Vehicle, the Check Co-Investment Vehicle, the Copper Co-Investment Vehicle, the Cassette Co-Investment Vehicle, the Protect Co-Investment Vehicle, the Dolphin Co-Investment Vehicle, and the Apex Co-Investment Vehicle. As previously noted in Item 1, the Firm may in the future establish and/or advise additional co-investment vehicles for specific investments and/or other investment accounts. The pooled investment vehicles and co-investment vehicles for specific investments are, and MiddleGround anticipates that its other

Clients will be, exempt from registration under the Investment Company Act of 1940, as amended (the "Act").

The anticipated minimum subscription amount for an Underlying Investor in a Client is \$1,000,000. The General Partner, an affiliate of MiddleGround may waive the minimum subscription amount requirement at its sole discretion.

MiddleGround may also manage co-investment vehicles (on behalf of certain Underlying Investors) that invest alongside other Clients in specific portfolio companies.

Underlying Investors in Clients are expected to consist of primarily of family offices, high net worth individuals, and institutions. Such Underlying Investors must meet the requirements for an "accredited investor" under the Securities Act of 1933, as amended (the "1933 Act") and a "qualified client" under the Advisers Act.

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

MiddleGround's investment strategy and criteria for each Client is generally to acquire controlling equity stakes in lower-middle market companies headquartered in North America or European headquartered companies. MiddleGround expects that Clients will invest in portfolio companies in the industrial/manufacturing, consumer products and distribution sectors. In addition, MiddleGround also generally expects that each Client (except for co-investment vehicles) will generally acquire one or two portfolio companies each year during its investment period. MiddleGround's Clients invest in businesses that MiddleGround believes present controllable opportunities for operational improvement that can be identified prior to investing capital in such businesses.

MiddleGround focuses on purchasing on behalf of its Clients what it believes to be fundamentally sound businesses at market multiples, self-selecting for investments that are underperforming benchmarks for middle market businesses that will allow the firm to identify and create value creation plans during diligence that MiddleGround believes it can execute with a high degree of certainty.

### **Integration of Sustainability Risks**

For certain funds the Firm integrates sustainability risks in the investment decision-making process and considers the potential impact of such risks. A sustainability risk is an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment (sustainability risks are referred to herein as "ESG Risks"). The Firm believes that the consideration of ESG Risks as part of the investment process is a

necessary aspect of evaluating the risk associated with the relevant investment and, accordingly, the returns of the Fund.

ESG Risks applicable to portfolio companies are considered throughout the investment process in respect of the Fund. Prior to the Fund making an investment, the Firm undertakes due diligence in order to evaluate material ESG risks arising in relation to target portfolio companies, including through the use of questionnaires and onsite visits in order to evaluate current ESG policies and practices and ESG key performance indicators, review of permits, licenses and certifications relating to ESG issues, and review of management structure and employment related metrics. The Firm may retain advisors and/or specialized and independent external consultants, as necessary, to further evaluate specific risks. ESG risks identified will be included in the underwriting memorandum presented to the Firm's Investment Committee. The presence of ESG Risks does not mean an investment will not be made – the Investment Committee will evaluate ESG Risks along with other relevant risks in determining whether the potential opportunity from the investment can reasonably be expected to outweigh the risks. Post acquisition, the Firm continues to monitor and work with portfolio companies to seek to mitigate ESG risks through the establishment of an ESG committee at the level of the portfolio company's board and requiring regular reporting on ESG related data and issues.

Risks considered include those relating to climate related physical and transition risks, employee rights and health and safety, human rights, cybersecurity and bribery, including risks arising through the supply chain. The Firm will also not make investments on behalf of the Fund in assets related to the following excluded sectors: (i) exploitation of labor (including child labor and modern slavery); (ii) illegal human or animal trafficking; (iii) illegal deforestation; (iv) participation in illegal activities; (v) the production, distribution, or selling of illegal products; (vi) the production of unacceptable levels of pollutants that are deemed harmful to the environment; (vii) the manufacture, distribution, or selling of arms or ammunition; or (viii) the manufacture, distribution, or selling of pornography.

By taking ESG Risks into consideration, the intention is to manage such ESG Risks in a way that they do not have a material impact on the performance of the Fund over and above the risks in relation to Fund investments which are described below. However, no assurance can be given that the Funds that integrate sustainability risks will be able to avoid and/or mitigate the impact of ESG Risks and losses may be incurred.

The Firm in respect of the Funds that integrate sustainability risks do not currently consider or formally track and monitor the adverse impact of its investment decisions on sustainability factors across a defined set of indicators due to the lack in availability of consistent data across all investments during the pre-investment phase of diligence.

The use of leverage is expected at the portfolio company level in order to complete certain platform transactions.

## **Risk Factors**

An investment in a Client will entail risks, including, but not limited to, those listed below, and a prospective investor should carefully consider the following summary of certain risk factors below and, if applicable, the risk factors set forth in the Governing Documents for the applicable Client.

### ***Dependence Upon Key Management***

The success of the Funds depends on the ability of the Principals and the other members of the Management Company's Investment Team to successfully implement the Funds' investment objectives. In particular, if the Funds were to lose the services of any of the Principals, the consequences to the Funds could be material and adverse and could lead to the premature termination of the Funds.

### ***Illiquidity of Interests***

The Interests represent highly illiquid investments and should be acquired only by investors able to commit their funds for an indefinite period of time. There is no public market for these Interests and it is highly unlikely that one will develop. The Interests are not registered under U.S. federal or state securities laws or the securities laws of any other jurisdiction and may not be resold unless they are subsequently registered or enjoy an exemption from such registration is available. Transfers of Interests are also subject to the approval of the General Partner (which may be given or denied in the sole discretion of the General Partner) and satisfaction of certain other conditions set forth in the Partnership Agreements.

### ***Illiquidity of Investments***

The Funds will invest predominantly all of its capital in the equity securities of private companies, the shares of which are not publicly traded. There may be no, or only a limited, market for such securities and such securities may be subject to legal or other restrictions on transfer. The market prices, if any, for such securities may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, general economic conditions, financial market conditions, domestic or international economic or political events and developments or trends in any particular industry. Accordingly, Funds may not be able to sell its assets when a Fund desires to do so or to realize what the General Partner perceives to be the fair value of the Fund's assets in the event of a sale. The sale of illiquid and restricted securities often requires more time and the incurrence of significant selling expense by the Fund. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, in times of extreme market disruption, there may be no market at all for one or more of the assets held by a Fund, potentially resulting in the inability of a Fund to dispose of its assets for an indefinite period of time.

### ***Nature of Investment***

An investment in the Funds requires a long-term commitment, with no certainty of return. There may be little or no near-term cash flow available to Limited Partners. Fund offerings are often non-specified asset offerings and prospective Limited Partners may not have an opportunity to evaluate specific assets prior to investing.

### ***Possible Lack of Diversification***

The General Partners may invest a relatively substantial portion of a Fund's capital in a small number of portfolio companies. There is no assurance as to the degree of diversification that will actually be achieved in a Fund's investments either by geographic region, industry or sector. A Fund may make investments assuming contemplated sales that do not actually occur as expected, which could lead to increased risk as a result of a Fund's having an unintended longer-term investment and reduced diversification.

### ***Investments in Mobility Sector Companies and B2B Industrial Infrastructure Companies***

In addition to more general investments in the B2B industrial and specialty distribution sectors, a Fund may also invest in companies operating in the Mobility Sector. The Mobility Sector can be highly cyclical, and companies in the Mobility Sector may suffer periodic operating losses. Mobility Sector Companies may include, for example, auto, truck, motorcycle, and scooter manufacturers; manufacturers of auto components and accessories; tire and rubber manufacturers; and auto dealers, and other automotive retailers. Mobility Sector Companies can be significantly affected by labor relations and fluctuating component prices. Developments in transportation technologies (e.g., autonomous vehicle technologies and electric vehicles) may require significant capital expenditures that may not generate profits for several years, if ever. Mobility Sector Companies may be significantly subject to government policies and regulations regarding imports and exports of automotive products and critical technologies. Governmental policies affecting the automotive industry, such as taxes, tariffs, duties, subsidies, and import and export restrictions on automotive products can influence industry profitability. In addition, Mobility Sector Companies must comply with environmental laws and regulations, for which there may be severe consequences for non-compliance. While many of the major Mobility Sector Companies are large companies, certain others may be non-diversified in both product line and customer base and may be more vulnerable to certain events that may negatively impact the Mobility Sector.

A Fund may also make investments in B2B companies that the General Partner believes have exposure to favorable trends relating to infrastructure (such companies, "B2B Infrastructure Companies") such as infrastructure services, renewable energy, grid hardening, aged infrastructure, energy storage, distributed power technology and waste management. Demand for products and services offered by B2B Infrastructure Companies will be in part dependent on, among other things, U.S. federal, state and municipal spending on infrastructure and infrastructure-related services, the speed of uptake by consumers and businesses of clean energy products and services, technology improvement (and reductions in the cost of such technology), and other macro-level and sector specific trends. As such, demand for the products and services offered by B2B Infrastructure Companies may be

subject to factors outside of the control of such companies and demand for the products and services offered by B2B Infrastructure Services may be less than anticipated. If demand for such products and services is less than anticipated, the Fund's investments in B2B Companies may not be profitable, or may not be as profitable as would be expected based on MiddleGround's investment theses.

#### ***Retention and Motivation of Key Employees***

A Fund's performance is largely dependent on the talents and efforts of highly skilled individuals. Competition in the financial services, private equity and alternative asset management industries for qualified investment professionals is intense. The Management Company's continued ability to effectively manage the Fund's portfolio depends on its ability to retain and motivate its key employees.

#### ***Highly Competitive Market for Investments***

The business of identifying, negotiating, acquiring, monitoring, managing and selling lower middle market and middle market portfolio companies is highly competitive, and involves a high degree of uncertainty. Funds will encounter competition from other persons or entities with similar investment objectives. These competitors may include other investment partnerships, corporations or strategic buyers and individual investors. No assurance can be given that available investments will meet the Fund's investment criteria, such that the Fund is able to fully deploy its committed capital or that the Fund will be successful in obtaining suitable investments.

#### ***Investments Longer Than Term; In-Kind Distributions***

Although the General Partner expects that Fund investments will either be disposed of prior to dissolution of that Fund or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments on disadvantageous terms and at a disadvantageous time as a result of dissolution.

#### ***Unspecified Portfolio Companies***

While the Management Company has identified certain companies that it believes would fall within the investment parameters of a Fund, the Fund may pursue investments in all, some or none of these companies. Accordingly, investors are asked to commit their money without any knowledge of the identity of the companies that will comprise the Fund's portfolio. Investors will be relying entirely on the ability of the Management Company and the General Partner to select appropriate investments for a Fund including companies which the Management Company has not as of the date hereof considered or evaluated. Investors may not have the opportunity to evaluate individually the relevant economic, financial or other information utilized by the Management Company and the General Partners to decide whether to make a particular investment in a specific portfolio company. Accordingly, no Limited Partner should subscribe for an Interest in a Fund unless it is willing to entrust all aspects of management of a Fund to the Management Company and the General Partner. In addition, there may be a significant period of time before all of the proceeds of this offering are invested.

### ***Reliance on Portfolio Company Management***

The success of a Fund will depend upon the success of its portfolio companies. Their success, in turn, will depend in large part upon the abilities of their management teams. Although it is the intent of a Fund to invest in companies with strong and stable management teams or to supplement or improve management where necessary by ensuring a strong management team is in place, there can be no assurance that the management team of a portfolio company will be able to operate such company successfully. Furthermore, although the General Partners will monitor the performance of each portfolio company, it will be primarily the responsibility of company management to operate the business on a day-to-day basis.

Additionally, competition for qualified personnel is intense at any stage of a company's development. The loss of one or a few key managers can hinder or delay a company's implementation of strategic plans and otherwise hinder the ability of a portfolio company to exploit its product or service.

### ***Private Equity Investments***

Funds intend to acquire controlling equity stakes in privately held companies. The success of a Fund's investments in privately held companies that it controls will depend in part on the General Partner's ability to develop plans and strategies to exploit new business opportunities for such companies as well as the General Partner's ability to restructure and effect improvements in the operations of such companies. The activity of developing such plans and strategies and of identifying and implementing operational improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such plans, strategies or improvements.

### ***Director and Controlling Shareholder Liability***

The Funds will hold controlling positions in a majority of its portfolio companies, and thus, it expects to receive the right to appoint representatives to the boards of directors of such portfolio companies. Serving as a director of a portfolio company or exercising a controlling ownership position exposes the Funds and its representatives to potential claims, whether or not valid, and liability. Although portfolio companies and Funds may have insurance to protect against actions and omissions made by the Funds and its representatives in such capacities, such insurance may be insufficient or inadequate. The Funds also may be required to indemnify its representatives serving as directors or officers of portfolio companies for damages and expenses incurred by them in such capacities.

### ***Risks of Investing in Lower Middle Market and Middle Market Companies***

Investments in lower middle market and middle market companies of the type the Funds will target may be riskier in general than investments in larger companies, and any historical outperformance of investments in smaller companies may relate to this increased risk. In general, as compared to larger companies, lower middle market and middle market companies of the type in which the Funds will invest may have more limited financial resources and borrowing options, may be more exposed to general economic downturns and



changes in markets and technology, and may be more susceptible to acute financial damage resulting from relatively unpredictable one-time events, such as litigation or the death of a company's founder. Further, the marketplace for the sale of interests in smaller, private companies may be more limited than that for the sale of larger companies and thus may make realizations of gains more difficult.

The Funds may also have less information about the historical performance and operations of its portfolio companies than would be the case if it invested in larger companies. Generally, there will be little or no publicly available information about the types of companies in which the Funds will invest. As a result, the Funds must rely on the Management Company's diligence efforts, and the diligence efforts of others, to obtain the information necessary for an investment decision. There can be no assurance that such diligence efforts will uncover all material information necessary to make fully informed investment decisions.

#### ***Leverage***

The Funds may finance its acquisition of portfolio companies by pledging all or a portion of the assets of such companies. The Funds may also guarantee the obligations of portfolio companies. In the event that a portfolio company does not generate sufficient cash flow to service its debt obligations, or such portfolio company otherwise breaches a financing covenant, the lender may foreclose on assets owned by such portfolio company (thereby potentially causing an economic loss to the Funds) or the financing arrangements of such portfolio company would be restructured in a manner adverse to the economic interests of the Funds. In addition, in the event that a portfolio company is unable to satisfy an obligation to a lender that has been guaranteed by the Funds, the Funds may have to satisfy such guarantee and any payments made by the Funds in connection with satisfaction of such guarantee may result in a loss for the Funds or otherwise cause the Funds' returns to be reduced.

#### ***Investing in Undermanaged or Underperforming Companies***

Investing in undermanaged or underperforming companies involve a high degree of business and financial risk that can result in substantial or total losses. These risks include investing in companies operating at a loss and investing in companies with the need for substantial additional capital. Portfolio companies in which the Fund invests may be highly leveraged and, as a consequence, subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. As a result, these companies may lack the flexibility to respond to changing business and economic conditions, or to take advantage of business opportunities.

#### ***Manufacturing Companies***

The Funds will invest in manufacturing companies. Manufacturing companies may produce products that are sold to the ultimate consumers and/or to other businesses (that use such products as an input in their own products or services).

Manufacturing companies that sell to other businesses may be affected by the economic conditions affecting their customers, which may be concentrated in a specific industry or

industries. This could expose such manufacturing companies to the risks faced by their customers.

Manufacturing companies may also be affected by the price and availability of the raw materials and component parts that are used to manufacture their products. Thus, such companies' businesses could be adversely impacted by factors affecting their suppliers (such as the destruction of their suppliers' facilities or their distribution infrastructure, a work stoppage or strike by their suppliers' employees or the failure of their suppliers to provide materials of sufficient quality), or by increased costs of such raw materials or components. The prices of raw materials may fluctuate in response to a number of factors, including, without limitation, changes in government agricultural support programs, exchange rates, import and export controls, changes in international agricultural and trading policies, and seasonal and weather conditions.

#### ***Need for Follow-on Investments***

Following its initial investment in a portfolio company, such portfolio company may require additional funding, and the Funds may have the opportunity to increase its investment in such portfolio company. There can be no assurance that the Funds will make, or will have the resources to make, follow-on investments. Any decision by the Funds not to make follow-on investments, or its inability to make them, may have a substantial adverse effect on a portfolio company in need of such an investment, may result in a missed opportunity for the Fund to increase its participation in a successful enterprise, may result in significant dilution of any existing portfolio company investment, or may cause a decrease in the value of the Fund's portfolio.

#### ***Bridge Financing***

The Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-term securities may not be issued or issuable and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund.

#### ***Risks Relating to Minority Investments***

As noted above, the Funds intends to acquire controlling stakes in privately held companies, subject to any asset stripping rules as provided for under the Alternative Investment Fund Managers Directive. However, some of the Funds may in certain limited circumstances (including in anticipation of a subsequent acquisition of a controlling equity stake in a company) make minority, non-controlling equity investments in a company (e.g., if purchasing a toe-hold position in a company that the Fund intends to take private) and, in such case, could be subject to the investment decisions of the controlling shareholders. These investment decisions could differ materially from the decisions that would be made by the Fund, and such decisions could materially and adversely affect the Fund's investment strategy and results.

### ***Legal and Regulatory Environment for Private Investment Funds and their Managers***

The legal and regulatory environment for private investment funds (such as the Funds) and their managers continues to evolve. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue its investment program and the value of investments held by the Funds.

### ***Assumption of Business, Terrorism and Catastrophe Risks***

The Funds may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, epidemics, pandemics and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Funds and the Limited Partners' investments therein.

### ***General Economic and Market Conditions***

General economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations), may affect the activities of the Fund. The price of investments and participation by other investors in the financial markets may also affect the value of investments purchased by the Funds. Limited Partners should realize that distributions may not be made by the Funds due to general economic conditions, the illiquidity of Fund investments, constraints imposed by financing arrangements, contractual prohibitions, inability to dispose of investments at attractive prices due to buyers' inability to secure financing or other reasons mentioned below. Portfolio companies may face intense competition, changing business and economic conditions and other developments that may adversely affect its performance. Business risks may be more significant in issuers that are embarking on a build-up or operating a turnaround strategy. General fluctuations in the market prices of securities, including public securities market prices, may adversely affect the value of investments held by the Funds and/or the ability of the Fund to dispose of investments at attractive valuations. The Funds may be unsuccessful in structuring its investments to minimize any detrimental impact that a recession may have on its investments and as a result the Funds may suffer significant losses.

### ***Inflation***

Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on the economies and financial markets, which may in turn affect the markets in which the Funds invests. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on the Funds' Investments.

Governmental efforts to curb inflation, including, without limitation, actions by the U.S. Federal Reserve or other central banks that result in increases in interest rates, often have negative effects on the level of economic activity. Such risks are heightened during periods of sustained high inflation. There can be no assurance that inflation will not present, or in the future become, a serious problem and have an adverse impact on the Fund's returns.

### ***Deflation***

Deflation could reduce the value of investments as economic growth is often negatively impacted by consumers and businesses delaying purchase decisions as prices reduce. Deflation may also make it more difficult for investments which are leveraged at the asset level to meet or service their debt obligations, due to reductions in revenues and increases in the size of the debt relative to the overall value of an investment.

Periods of deflation are often characterized by a tightening of money supply and credit, which could limit the Funds' ability to leverage investments, and so limit the number and size of investments that the Fund may make and affect the rate of return to Limited Partners. Such economic constraints could also make the Funds' investments more illiquid, preventing the Funds from realizing such investments.

### ***Periods of Disruption in the Capital Markets***

Market conditions may in the future make it difficult to extend the maturity of or refinance the Funds' then-existing indebtedness and any failure to do so could have a material adverse effect on the Funds' business. The illiquidity of the Funds' investments may make it difficult for the Funds to sell such investments if required. As a result, the Funds' may realize significantly less than the value at which the Funds have recorded its investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of the Funds' investments and on the potential for liquidity events involving the Funds' investments. An inability to raise capital, and any required sale of the Funds' investments for liquidity purposes, could have a material adverse impact on the Funds' business, financial condition and results of operations.

Various social and political tensions in the United States, the European Union and around the world, including in the Middle East, Eastern Europe, North Korea, China and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States, the European Union and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. In addition, continuing uncertainty arising from the United Kingdom's exit from the European Union, or Brexit, could lead to further market disruptions and currency volatility, potentially weakening consumer, corporate and financial confidence and resulting in lower economic growth for companies that rely significantly on Europe for their business activities and revenues. The Funds may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels,

Brexit or other global economic conditions could have a material adverse effect on the Funds' business, financial condition and results of operations.

#### ***Market and Economic Disruptions Effect on Portfolio Companies***

It is likely that volatility in the equity markets could impact the financial results of small to mid-sized companies (including lower middle market and middle market companies), like many of the Funds' portfolio companies. Such portfolio companies may experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, volatility in the equity markets could impact the Funds' portfolio companies' access to the debt and equity capital markets, which could ultimately limit their ability to grow, satisfy existing financing and other arrangements and impact their ability to perform. Volatility in the equity markets could also impact the Funds ability to liquidate or achieve value from warrants and other equity investments the Funds has in its portfolio companies. Consequently, the Funds can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles or other conditions, which could also have a negative impact on the Funds' future results.

These market and economic disruptions affect, and these and other similar market and economic disruptions may in the future affect, the U.S. capital markets, which could adversely affect the Funds' business and that of its portfolio companies. The General Partners cannot predict the duration of the effects related to these or similar events in the future on the United States and global economies and on national and global capital markets or on the Funds' investments. The Management Company monitors developments and seeks to manage the Funds' investments in a manner consistent with its investment objective, but there can be no assurance that it will be successful in doing so.

#### ***Impacts of the COVID-19 Pandemic***

The U.S. economy and many other national economies have been adversely affected by the COVID-19 pandemic. The ongoing effects of the COVID-19 pandemic, including its variants, may result in adverse consequences for the Fund and its portfolio companies. While many countries, including the United States, have relaxed or eliminated the early public health restrictions adopted in response to the COVID-19 pandemic, the outbreak of new, worsening strains of COVID-19 may result in a resurgence in the number of reported cases and hospitalizations. Such increases in cases could lead to the reintroduction of restrictions and business shutdowns in certain states, counties and cities in the United States and globally. In addition to these developments having adverse consequences for the Funds and its' portfolio companies, the operations of the Management Company have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on its personnel or service providers based or temporarily located in affected countries, or any related health issues of such personnel or service providers. Any potential impact to the Funds' results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of the COVID-19 pandemic and the actions taken by authorities and other entities to contain the spread of COVID-19 and its variants or treat its impact, all of which are beyond the Fund's

control. These potential impacts, while uncertain, could adversely affect the Fund's and its portfolio companies' operating results.

#### ***Contingent Liabilities on Disposition of Investments***

In connection with the disposition of a Fund's 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 Funds may be required to indemnify the purchasers of such Fund 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, Limited Partners may be required to return amounts distributed to them to fund obligations, including indemnity obligations, subject to certain limitations set forth in the Partnership Agreement.

#### ***Regulatory Constraints***

The operation of the Funds and the tax consequences of an investment in the Funds are substantially affected by legal requirements, including those imposed by tax laws and related regulations. In addition, no assurance can be given that future legislation, administrative rulings or court decisions will not adversely affect the operation of the Funds or an investment by a Limited Partner in the Funds.

#### ***Taxation***

The Funds may invest in portfolio companies that have some or all of their operations and investments outside of North America. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes, duties or levies on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds or other assets of the Funds, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

#### ***Identity of Beneficial Ownership and Withholding on Certain Payments***

In order to avoid a U.S. withholding tax of 30% on certain payments made with respect to certain actual and deemed U.S. investments, a non-U.S. investor (i) will generally be required to provide identifying information with respect to certain of its direct and indirect U.S. owners or (ii) if such non-U.S. investor is a "foreign financial institution" within the meaning of Section 1471(d)(4) of the Internal Revenue Code, such non-U.S. investor will generally be required to timely register with the Internal Revenue Service and identify and report information with respect to certain of its direct and indirect U.S. account holders (including debtholders and equityholders). Any such information provided to the Fund will be shared with the Internal Revenue Service. Limited Partners should consult their own tax advisers regarding the possible implications of these requirements on their investment in the Fund.

#### ***Absence of Recourse to General Partner***

The Partnership Agreements will limit the circumstances under which the General Partner can be held liable to the Funds. As a result, investors may have a more limited right of action in certain cases than they would in the absence of this provision.

#### ***Limited Partner Liability***

A Limited Partner will generally not be personally liable for the debts of the Funds except as provided in the Partnership Agreements.

#### ***Risks Arising from the Provision of Managerial Assistance***

To the extent necessary to avoid the Delaware Funds' assets being treated as "plan assets" under ERISA, the General Partner will use reasonable efforts to operate the Delaware Fund so that it should qualify as a VCOC or meet another exception under ERISA and/or the Regulation. Operating a Fund as a VCOC (as defined below) would require that the Delaware Fund obtains rights to substantially participate in or influence the conduct of the management of a number of the Delaware Funds' portfolio companies. For example, the Delaware Funds may designate a director to serve on the board of directors of one or more portfolio companies as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of the Delaware Funds to claims by a portfolio company, its security holders and its creditors. While the General Partner intends to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

#### ***Qualification as a Venture Capital Operating Company***

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

#### ***Income Effectively Connected to a Trade or Business within the United States***

Non-U.S. investors should note that Fund investments can be expected to give rise to income generally subject to U.S. federal income tax (and possibly state and local tax) as income effectively connected with a trade or business within the United States ("ECI") that would require the filing of U.S. federal income tax returns (and possibly state and local income tax returns). The General Partners may create or offer an alternative structure or structures (including by holding investments through a blocker corporation) through which non-U.S. investors can invest to avoid the direct incurrence of ECI and generally relieve non-U.S. investors of the burden of filing U.S. tax returns, but is under no obligation to do so.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of whether to make an investment decision. None of MiddleGround's affiliates, or its principals have been subject to any disciplinary action, whether criminal, civil, or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of MiddleGround have been subject to such action.

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

Management and employees of MiddleGround plan to dedicate substantially all of their professional efforts to MiddleGround and its affiliates, and currently have no significant outside business interests. From time to time, certain employees of MiddleGround may serve as board members in connection with underlying investments. Except with respect to Operating Partners, such employees will not be separately compensated for these positions. Prior to engaging in any outside business activities, employees will be required to pre-clear such activities with MiddleGround's chief compliance officer ("Chief Compliance Officer").

## **Item 11 – Code of Ethics**

MiddleGround has adopted a Code of Conduct and of Ethics (the "Code") that obligates MiddleGround and its employees to put the interests of Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients.

All of MiddleGround's personnel are also required to comply with applicable federal securities laws. MiddleGround and its related persons do not recommend to Clients, or buy or sell for Client accounts, securities in which MiddleGround or its related persons have a material financial interest unless MiddleGround has obtained the requisite consent, from Underlying Investors or an LP Advisory Committee (if any), required under the Governing Documents for the applicable Client.

All trades made by employees are reviewed by the Chief Compliance Officer. MiddleGround requires its employees to pre-clear all transactions in their personal accounts with the Chief Compliance Officer who may deny permission to execute the transaction if such transaction is believed to have an adverse economic impact on one of its clients. Any approval will remain in effect for that business day. In addition, the Code prohibits MiddleGround or its



employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer.

No employee may acquire new issues or securities in a limited offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

All of MiddleGround's employees are required to disclose their securities transactions, if any, on a quarterly basis and their holdings upon commencement of employment with MiddleGround and on an annual basis thereafter. All of MiddleGround's employees are also required to provide brokerage statements quarterly and an annual certification of transactions. Trading in employees' accounts are reviewed by the Chief Compliance Officer and compared against the restricted securities list.

The Code of Ethics also sets forth MiddleGround policy with respect to insider trading by providing: (i) a detailed explanation of the rules and regulations that govern insider trading; and (ii) policies and procedures that should be carried out by MiddleGround employees in the event that there is any question as to the applicability of the insider trading rules.

MiddleGround's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Monica McClinton, Partner and Chief Compliance Officer.

MiddleGround is also committed to maintaining the confidentiality, integrity, and security of its investors' personal information. It is MiddleGround's policy to collect only information necessary or relevant to its management business and to use only legitimate means to collect such information. MiddleGround does not disclose any non-public, personal information about investors to anyone except for servicing and processing transactions and as required by law. MiddleGround restricts access to non-public, personal information about its investors to those employees with a legitimate business need for the information. MiddleGround maintains physical, electronic, and procedural safeguards to guard each investor's non-public, personal information. MiddleGround's privacy policy is available upon request by contacting Monica McClinton, [mmclinton@middleground.com](mailto:mmclinton@middleground.com).

## **Item 12 – Brokerage Practices**

MiddleGround does not and does not plan to utilize any soft dollar arrangements. Furthermore, MiddleGround does not intend to direct trades in recognition of research provided by a broker-dealer. MiddleGround will not pay a higher dealer "spread" or otherwise utilize client funds to compensate dealers for the provision of research or trading advice.

MiddleGround has adopted a policy for the fair and equitable allocation of transactions, which generally analyzes each investment and/or investee fund commitment on an investment-by-investment basis, taking into consideration the specifics of each investment, the guidelines of each client and any restrictions in the governing agreements of the applicable Clients. To the extent that multiple Clients participate in an investment, such investment will generally be allocated *pro rata* among such Clients, unless facts specific to the transaction and Clients warrant an alternative allocation methodology. In making such determination, MiddleGround will consider, among other factors, the proposed investment size, liquidity of the investment, investment objective, risk profile, time horizon, vintage year of a Client, Client-specific concentration limits or legal restrictions, the composition of a Client's portfolio and diversification considerations, nature of investment, current market conditions, timing of cash flows and each client's liquidity, and any other information determined to be relevant. Allocations may also differ for tax, regulatory, or other reasons as deemed appropriate by MiddleGround. Where conflicts arise in the allocation of investment opportunities, MiddleGround will seek to resolve such conflicts fairly.

As a fiduciary, MiddleGround has the responsibility to effect orders correctly, promptly, and in the best interests of our clients. MiddleGround uses its best efforts to seek to assure that investments are executed correctly; however, to the extent that an error occurs, MiddleGround will only be responsible for losses due to errors caused by the willful misconduct or gross negligence of MiddleGround (or as otherwise specified in the Governing Documents of the applicable Client). Except as otherwise specified in the Governing Documents for a Client, MiddleGround is not responsible for the errors of other persons, including third-party brokers and custodians.

### **Item 13 – Review of Accounts**

The investments made by MiddleGround are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, MiddleGround closely monitors companies in which the Fund invests, and the Chief Compliance Officer periodically checks to confirm the Fund is managed in accordance with its stated objectives. MiddleGround will provide to its limited partners the reports set forth in the respective Limited Partnership Agreement, generally including (i) audited financial statements annually commencing with the first year in which a Fund is in operation for at least six months or makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company quarterly.

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

For certain Clients, MiddleGround has engaged placement agents for investor referrals. MiddleGround may in the future engage placement agents for Clients. Any such placement agents will generally receive a fee or other compensation that is based on the amount of committed capital raised by such placement agent. These engagements and any resulting investor solicitations will be structured to comply with the requirements of Rule 206(4)-1 under the Advisers Act.

### **Item 15 – Custody**

An affiliate of MiddleGround is expected to serve as general partner of each Client. Consequently, MiddleGround is deemed to have “custody” over the Clients' assets within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, MiddleGround distributes to each investor in a Client audited financial statements annually pursuant to Rule 206(4)-2(b)(4). Underlying Investors should review these audited financial statements carefully.

### **Item 16 – Investment Discretion**

MiddleGround provides and generally expects to continue to provide its investment advisory services on a discretionary basis. MiddleGround's authority will be established by the

Governing Documents of each Client at the outset of the advisory relationship. Underlying Investors may not place limits on MiddleGround's investment authority with respect to a Client beyond the agreed-upon limitations set forth in the Governing Documents (including, without limitation, any side letters entered into by Underlying Investors with respect to its investment in a Client) for such Client. When selecting and determining amounts for investments, MiddleGround observes the investment policies, limitations and restrictions of the Clients which it advises.

MiddleGround's investment decisions and advice with respect to its Clients are subject to each Client's investment objectives and guidelines, as set forth in its Governing Documents.

### **Item 17 – Voting Client Securities**

MiddleGround has adopted voting procedures pursuant to Rule 206(4)-6 of the Advisers Act designed to ensure that proxies it holds on behalf of discretionary Clients are voted in the best interest of such Clients, absent their specific voting guidelines. This may result in different voting results for proxies for the same issuer held on behalf of different Clients. In the event MiddleGround becomes aware of a material conflict of interest in connection with a vote, MiddleGround will determine whether voting in accordance with MiddleGround's voting procedures is in the best interests of the respective Client(s) and whether it is appropriate to disclose the conflict to the affected Client(s). In all cases, proxies are voted consistent MiddleGround's fiduciary duties.

Investors may contact MiddleGround, via e-mail or telephone, in order to obtain information on how it voted such investor's proxies, and to request a copy of MiddleGround's voting procedures.

### **Item 18 – Financial Information**

MiddleGround does not require or solicit prepayment of any fees six months for its pooled investment vehicles or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to its Clients.