

**Darlington Partners Capital Management, LP**  
**300 Drake's Landing Road, Suite 290**  
**Greenbrae, CA 94904**

**March 2024**

This “**Brochure**” provides information about the qualifications and business practices of Darlington Partners Capital Management, LP (hereinafter “**Darlington Partners**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact us at (415) 464-4648. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Darlington Partners is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply that Darlington Partners or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Darlington Partners 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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This Brochure is Darlington Partners' Annual Update to its Form ADV Part 2A. There have been no material changes since Darlington Partners filed its Annual Update Brochure in March 2023.

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**Item 4: Advisory Business**

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Darlington Partners Capital Management, LP (hereinafter “**Darlington Partners**”, “**we**”, “**us**”, “**our**” or the “**Firm**” was organized in June 2020 as a Delaware limited partnership with a principal place of business located in Greenbrae, CA.

Darlington Partners, L.P. launched in 1996 with Fairview Capital Investment Management, LLC (“**Fairview**”) as its general partner. Scott Clark joined Fairview as a portfolio manager in 2001 and assumed full portfolio management responsibility for Darlington Partners, L.P. by 2002. Effective April 1, 2021, the Firm’s principals, Scott Clark, Ramsey Jishi, Eric Nusinow and the other members of the team that manage Darlington Partners, L.P. and the other funds described below separated from Fairview and launched the Firm.

Our affiliate, Darlington Partners GP, LLC (the “**General Partner**”), serves as the general partner of the Firm and as general partner to each of the Firm’s Funds (as defined below).

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Darlington Partners manages the following private, pooled investment vehicles:

- Darlington Partners, L.P., a Delaware limited partnership, and its feeder fund, Darlington Partners Offshore, L.P., a Cayman Islands exempted limited partnership, and
- DP Liquidating Fund, L.P., a Delaware limited partnership.

Darlington Partners, L.P. and Darlington Partners Offshore, L.P. are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”, and DP Liquidating Fund, L.P. is referred to herein as the “**Liquidating Fund**”).

Prior to January 1, 2024, Darlington Partners also managed Darlington Partners II, L.P. (“**Darlington II**”), another investment fund that Darlington Partners managed *pari passu* with Darlington Partners, L.P. Effective after the close of business on December 31, 2023, Darlington Partners, L.P. and Darlington II combined via a tax-free exchange of each Darlington II limited partner interest for a limited partnership interest of equal value in Darlington Partners, L.P.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We seek to generate attractive risk-adjusted returns over the long term and preserve capital by avoiding permanent impairments. We aim to achieve these goals primarily through our Funds’ ownership of a concentrated portfolio of investments in high-quality businesses purchased at discounted valuations that provide a significant margin of safety. A small portion of Fund assets may be invested in a more opportunistic fashion to take advantage of shorter-term opportunities and asymmetric risk-reward opportunities. The Funds primarily invest in equity securities of public and private companies.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2023, Darlington Partners has regulatory assets under management of approximately \$2.157B, all managed on a discretionary basis.

## Item 5: Fees and Compensation

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The fees applicable to each of the Funds are set forth in detail in the corresponding Fund's Offering Documents. A brief summary of such fees is provided below. The Firm, in its sole discretion, may waive or modify the Management Fee or special profit allocation for any Investor.

### *Management Fee*

The Firm generally receives a quarterly management fee ("**Management Fee**") equal to 0.25% (approximately 1.00% annually) of the balance of each investor's capital account if the aggregate assets are less than \$600,000,000. On the first day of any quarter of which the aggregate assets exceed \$600,000,000, the percentage applicable to the amount of such aggregate assets that exceeds \$600,000,000 is 0.15% (approximately 0.60% annually), as further described in each Fund's Offering Documents. For example, if a Fund's aggregate limited partner capital accounts are \$1,200,000,000, the applicable management fee for the quarter is (1) 0.25% of the first \$600,000,000, plus (2) 0.15% of \$600,000,000 which will result in a blended management fee rate of 0.20% (approximately 0.80% annually).

The Management Fee is subject to additional terms as outlined in the Funds' Offering Documents. The Management Fee is deducted from an account in advance, on a quarterly basis based on aggregate assets on the first day of the quarter.

### *Special Profit Allocation*

The Funds offer two series of interests, Series A and Series B. The series differ only in the special profit allocation that each pays as described below. The Special Profit Allocation is based on unrealized appreciation and depreciation with respect to investors' liquid sub-capital accounts, but only on realized profits and losses with respect to illiquid sub-capital accounts. The following are brief descriptions of the two special profit allocations, which are described in more detail in the Funds' Offering Documents.

The special profit allocations for all Funds are assessed annually in arrears and on a withdrawal with respect to the amount withdrawn. The Firm complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

### *Series A Limited Partners*

The special profit allocation for each Series A limited partner is 20% of net profits and losses, as described above, subject to the Series A hurdle rate, which is a blended index calculated as 50% of the Russell 1000 and 50% of the Russell 2000 Indices, both with dividends reinvested. The special profit allocation is also subject to a loss recovery amount (cumulative amount that net profits related to those Series A Interests in prior periods have not exceeded the Series A hurdle rate, as described in more detail below). Because the Series A special profit allocation is determined based on the Fund's outperforming the Series A hurdle rate, which can be negative, a Series A special profit allocation might become due even if the Fund's assets have depreciated in value (for example, the Series A hurdle rate is down 20% but assets have only depreciated by 5%). In addition, a Series A special profit allocation might exceed capital appreciation (for example, the Series A hurdle rate is down 20% and assets have appreciated by 1%). Under such circumstances, (1) a Series A special profit allocation is only charged to the extent of items of gross income or gain ("**Gross Profit**") in the current period, and (2) for any part of a Series A special profit allocation that was not charged because of insufficient items of Gross Profit, such part, as adjusted for any appreciation or depreciation that would have occurred if that amount was invested in the Fund, is charged in the next period when there is sufficient items of Gross Profit (a "special profit allocation carryforward"), even if no Series A special profit allocation is otherwise allocable in such subsequent period (because of failure to outperform the

Series A hurdle rate).

For example, if on January 1 of year 1, a Series A limited partner's capital account balance is \$1,000,000 and in year 1 that limited partner is allocated \$100,000 of losses and is allocated no items of Gross Profit in year 1, but pursuant to the Series A hurdle rate that limited partner would have been allocated \$200,000 of losses, then the special profit allocation carryforward as of January 1 year 2, is \$20,000 (20% of the \$100,000 by which losses exceed the hurdle rate losses). The Series A limited partner's capital account as of January 1 year 2, would be \$900,000, but the appreciation and depreciation on the special profit allocation carryforward would not be included solely for purposes of determining the Series A special profit allocation and Series A loss recovery account going forward, so for those purposes that Series A limited partner capital account would be deemed to be just \$880,000. If the Fund is up 10% in year 2 so that Series A limited partner's capital account (including the special profit allocation carryforward) is allocated \$90,000 of profits, but the Series A hurdle rate was 5% so the capital account (as reduced by the special profit allocation carryforward) would have been allocated \$44,000 (5% of \$880,000), then the special profit allocation carryforward as of December 31 year 2, would be \$22,000 (\$20,000 plus the 10% return on that account in year 2), which would then be charged as of December 31 of year 2, and the Fund would also charge in year 2, 20% of \$44,000 (\$88,000 minus \$44,000), or \$8,800.

If the Fund's net profits relating to a Series A limited partner do not exceed the Series A hurdle rate for a particular period, the Fund will establish a Series A loss recovery account for that limited partner, and will credit the Series A loss recovery account with an amount equal to the underperformance. The Fund will debit the Series A loss recovery account, but not below zero, with the aggregate amount by which the net profits allocable to such limited partner exceeds the Series A hurdle rate in each subsequent period, before any special profit allocation is charged.

### ***Series B Limited Partners***

The special profit allocation for each Series B limited partner is 20% of net profits and losses, as described above, subject to the Series B hurdle rate, which is 6% per annum (approximately 0.5% per month, pro-rated for subscriptions made on any day other than January 1 and withdrawals made on or any day other than December 31). The Series B special profit allocation is also subject to a loss recovery account (the cumulative amount that net profits with respect to those Series B Interests in prior periods have not exceeded the Series B hurdle rate for those periods). If net profits relating to a Series B limited partner do not exceed the Series B hurdle rate for a particular period, the Fund will establish a Series B loss recovery account for that limited partner, and will credit the Series B loss recovery account with an amount equal to the underperformance. The Fund will debit the Series B loss recovery account, but not below zero, with the aggregate amount by which the net profits allocable to such limited partner exceeds the Series B hurdle rate in each subsequent period, before any special profit allocation is charged. The Series B loss recovery account will be proportionately adjusted to reflect redemptions.

For example, if as of January 1 in year 1, a limited partner's capital account balance is \$100,000, its Series B loss recovery account is zero, it is allocated \$2,000 of net losses in year 1, but would have been allocated \$6,000 of net profits pursuant to the Series B hurdle rate, as of December 31 of year 1, that Series B loss recovery account is \$8,000 and that limited partner's capital account balance would be \$98,000. If in year 2, the limited partner is allocated \$9,000 of net profits, but would have been allocated \$5,880 of net profits pursuant to the Series B hurdle rate (\$98,000 beginning capital account balance x 6%), no special profit allocation would be due and the Series B loss recovery account would be reduced by \$3,120 (\$9,000 net profits - \$5,880 Series B hurdle rate) to \$4,880.

### ***General***

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in the Fund, to use the “alternative reporting option” to report the Firm’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

### ***Withdrawals***

Each limited partner in a Fund has a liquid sub-capital account to which is credited that limited partner’s interest in that Fund’s investments that generally are marketable. Each limited partner also has an illiquid sub-capital account to which is credited that limited partner’s interest in the Fund’s investments that the Firm determines are illiquid. A limited partner may not withdraw from the illiquid sub-capital account. Each limited partner may, however, on at least 45 days’ advance notice, as of the last day of any fiscal quarter that ends on or after the day preceding the first anniversary of that limited partner’s admission to the applicable Fund, withdraw 1/4 of its liquid sub-capital account balance, subject to the following limitations: if the limited partner makes withdrawals in consecutive quarters and withdraws the maximum 1/4 the first quarter, the limited partner may withdraw up to 1/3 of such balance the second quarter, up to 1/2 of such balance the third quarter and may withdraw the remaining balance in the fourth quarter. Thus, if a limited partner desires to withdraw all of its liquid sub-capital account from a Fund, it will take at least four consecutive quarters fully to withdraw.

### ***Termination***

The relationship with each of a Fund’s investors may be terminated on the partnership’s dissolution in accordance with the terms of its partnership agreement, or on the termination of the appointment of the Firm as investment adviser by the General Partner.

### ***Liquidating Fund***

Darlington Partners GP, LLC is the general partner of the Liquidating Fund, which was formed to hold illiquid investments made by Darlington Partners, L.P. on behalf of withdrawing investors until those investments are sold or otherwise disposed of. Investors in the Liquidating Fund may not withdraw or add to their investments, and interests in the Liquidating Fund are not offered to new investors. Investors in the Liquidating Fund do not pay a management fee, but may be subject to a special profit allocation when the investments that the Liquidating Fund holds are sold or otherwise disposed of.

### ***Other Types of Fees or Expenses***

The Funds and the Liquidating Fund will each bear all costs and expenses of their respective organization and ongoing operation as described in the Offering Documents, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, audit and tax fees, and the fees and expenses charged by the Fund administrator for its accounting, bookkeeping and other services.

The Funds and the Liquidating Fund will reimburse each of the General Partner and the Firm for any of such expenses paid by it.

The Firm and General Partner are responsible for and will pay, or cause to be paid, all of their own operating, general, administrative and overhead costs and expenses and will not otherwise charge the applicable Fund for any thereof, except that these costs and expenses, together with all or any portion of the Fund’s expenses, may be paid by securities brokerage firms and futures commission merchants to which the Firm directs the Securities trades of the Funds and any other accounts managed by the Firm as further provided in that Fund’s

Offering Documents.

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

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Darlington Partners currently manages only accounts that pay performance-based compensation as described in Item 5. It does not manage accounts that do not pay performance-based compensation. As a result, we and our affiliates do not currently face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

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**Item 7: Types of Clients**

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, foundations, and high net worth individuals. The minimum investment required for each Fund is outlined in each Fund's Offering Documents. Such minimum investment may be waived on a case-by-case basis subject to our discretion.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

***Investment Objective and Strategy***

The Funds seek to generate attractive risk-adjusted returns over the long term and preserve capital by avoiding permanent impairments. They aim to achieve these goals primarily by owning a concentrated portfolio of investments in high-quality businesses purchased at discounted valuations that provide a significant margin of safety. A small portion of their assets may be invested in a more opportunistic fashion to take advantage of shorter-term opportunities and asymmetric risk-reward opportunities. The investment strategy summarizes the Firm's current intentions, which are general in nature and are not exhaustive. There are no limits on the types of securities in which the Firm may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Firm may use any trading or investment techniques, whether or not contemplated by the investment strategy. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, the Firm may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

***Risk of Loss Factors***

An investment in the Funds will involve substantial risks due in part to the highly speculative nature of investing in securities. Other risks include the Funds' reliance upon the Firm's judgment in selecting investments and the limitations on withdrawal from the Funds. There can be no assurance that a Fund's investment objective will be achieved or that there will be any return of capital. Investment results may vary substantially on a monthly, quarterly or annual basis.



Below are some of the risks that clients and investors should consider before investing in a Fund. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause clients and investors to lose substantial amounts of money. Below is only a brief summary of some of our material investment-related risks that a client or investor may encounter.

### ***Trading Risks***

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Firm's evaluation of an investment opportunity should prove incorrect, the Funds could experience losses as a result of a decline in the market value of securities in which the Funds hold a long position. The risk management techniques that may be used by the Firm do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Funds' investment program will be successful, that the Funds will achieve its targeted returns or that there will be any return of capital to Investors. In addition, investment results may vary substantially over time.

*Investment Judgment.* The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future profitability of companies and future price movements of securities and other investments. There can be no assurance that the Firm will be able to accurately predict the long-term results of any security or other investment.

*Availability of Suitable Investments.* The success of the Funds' investment and trading activities depend on the ability of the Firm to identify overvalued and undervalued investment opportunities and to manage market risk. Identification and execution of the investment strategies to be pursued by the Funds involve a high degree of uncertainty. No assurance can be given that the Firm will be able to identify suitable investment opportunities in which to deploy all of a Fund's capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for a Fund. Certain of the investment strategies employed by the Funds may be based on historical trends and relationships among securities prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue. No representation is made by the Firm as to what results the Funds will or are likely to achieve based on these trends and relationships.

*Information Sources.* The Firm selects portfolio investments based in part on information and data that the issuers of such securities file with various government agencies or make directly available to the Firm, or that it obtains from other sources. The Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available. This could adversely affect the outcome of our investment process. The Firm also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

*Concentration of Investments; Limited Diversification and Sector Investing.* The Funds may hold a limited number of positions at any given time and the Funds may hold relatively large positions in few securities or in few sectors. As a result of the Funds' possible lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Funds. Likewise, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the performance of the Funds.

*Equity Securities.* The Funds may invest in equity and equity-related securities, including, without limitation, equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations

and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. A risk of investing in the Funds is that equity securities held by the Funds may decline in value. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, equity securities that the Firm believes are undervalued or incorrectly valued may not ultimately be valued by the markets in the manner that the Firm anticipates.

*Hedging.* The Funds may engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to the Funds. The success of the Funds' hedging strategy will be subject to the Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for the Funds than if no such hedging transactions were executed. Moreover, the Firm may determine not to hedge against, or may not anticipate, certain risks. Finally, the Funds may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

*Options.* The Funds may engage in the trading of options when appropriate. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

*Derivatives.* The Funds may invest in derivative financial instruments. In addition, the Funds may, from time to time, utilize both exchange-traded and over-the-counter derivatives, including swaps, futures, long and short options and contracts for differences, either to express an investment view or for hedging purposes. Regulatory restraints may restrict the instruments that the Funds may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. Many derivative investments may be more difficult to value if they are not exchange traded. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

*Currency Hedging.* The Funds may be exposed to foreign exchange risk, and may seek to mitigate this risk through the use of a variety of strategies and products, including, but not limited to, Forex forwards, currency futures and currency swaps. There is no guarantee that any of these currency hedging strategies will reduce or prevent losses to the Funds. As part of its currency hedging strategy, the Funds may enter into currency transactions that are not traded on an exchange, and the funds the Funds invests in those transactions may not receive the same protections as funds used to margin or guarantee exchange-traded futures and options contracts. If the counterparty to an over-the-counter Forex transaction becomes insolvent and a Fund has a claim for amounts deposited or profits earned on transactions with the counterparty, the Fund's claim may not receive a priority. Without a priority, the Fund is a general creditor and its claim will be paid, along with the claims of other general creditors, from any monies still available

after priority claims are paid. Even the Fund's funds that the counterparty keeps separate from its own operating funds may not be safe from the claims of other general and priority creditors. Forex trading can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the Funds.

*Forward Trading.* Forward contracts are not traded on exchanges and are not standardized, instead each contract is negotiated with banks and dealers acting as principals. Disruptions can occur in any market due to parties discontinuing participating, high trading volume, political intervention and other factors. Any such disruption could adversely affect the Funds.

*Leverage.* The Funds may employ leverage in connection with its investment strategies and/or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the General Partner and/or the Firm may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including, but not limited to, margin borrowing from securities brokers and dealers, loans, repurchase agreements, derivative instruments (generally, swaps and fx hedging) that are inherently leveraged, and other financing arrangements, as determined by the General Partner in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage employed by the Funds may be secured by the securities holdings and other assets of the Funds, as applicable. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if the Funds are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Funds' borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on the Funds' profitability. In addition, the use of leverage may cause a U.S. tax-exempt investor to realize UBTI.

*Margin.* The General Partner and/or the Firm may make use of short-term borrowing or repurchase agreements on behalf of the Funds, and any such use will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure a Fund's margin accounts or repurchase obligation decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

*Securities Lending.* The Funds may lend securities to securities brokers and other institutions as a means of earning additional income. If the other party to such transaction becomes insolvent or bankrupt, the Fund could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Fund could experience further losses. Security loans must be fully collateralized, and the Firm must be satisfied with the creditworthiness of the other party to the transaction.

*Interest Rates.* The General Partner and/or the Firm may borrow funds from brokerage firms and banks on behalf of the Funds to be able to increase the amount of capital available for marketable securities investments. The rates at which the Funds can borrow, in particular, will affect the operating results of the Funds. Even if a Fund makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade.

*Fees.* Performance-based allocation arrangements may create an incentive for us to recommend investments which may include a greater degree of risk.

*Economic Conditions.* Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile

securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

*Price and Liquidity Fluctuations of Investments.* It is expected that the Funds' investments will be in public securities. However, the market value of the Funds' investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Funds invest. During periods of limited liquidity and higher price volatility, the Funds' ability to acquire or dispose of its investments at a price and time that the Funds deem advantageous may be impaired. As a result, in periods of rising market prices, the Funds may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Funds' inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

*Limited Liquidity of Investments.* The Funds invest in thinly traded and relatively illiquid securities, securities that may not be traded at the time of investment or securities that may cease to be traded after invest. The Funds also are likely to take positions in particular securities that are relatively large compared to trading volumes or overall market capitalization of those securities. In such cases and in the event of extreme market activity, the Funds may not be able to sell these investments promptly if necessary, or it may need to sell them at far less than the Firm believes they are worth. In addition, sales by the Funds of thinly traded securities are likely to depress the market value of those securities and thereby reduce the Funds' profitability or increase losses. Such circumstances or events could affect the Funds' gain or loss materially and adversely.

The Funds may also invest in PIPE (private investments in public equity) financings, in which the Funds purchase unregistered equity Securities of a class of securities that is publicly traded and receives registration rights with respect to the unregistered securities that it purchases. The Firm cannot assure investors that the securities that it acquires in PIPE financings will become publicly tradable.

The Funds also may invest in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded, and any sale of restricted Securities involves considerable legal and other expenses, and may present valuation difficulties. Such restricted securities may not be eligible to be traded on a public market even if a public market for securities of the same class were to exist or develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

*Private Company Investments.* The Funds invest in private companies. The Liquidating Fund holds only investments in private companies. There is no assurance that a private company will complete a public offering or be sold, and the Funds may not be able to realize value on such positions for several years after the date of the initial investment, if at all. In addition, the Funds may be subject to, or may agree to become subject to, lockup-up periods subsequent to an initial public offering or other liquidity event that may restrict the Funds' ability to sell a position and distribute realized gains. The Funds may continue to hold positions after they become liquid.

In addition to being illiquid, private companies are subject to a number of other risks, including, but not limited to: (i) extraordinarily high degree of business and financial risk and potential need for additional capital; (ii) substantial variation in operating results from period to period; (iii) additional funding requirements (which may not be available) and potential dilution; and (iv) significant time required for investments to mature and profits (if any) to be realized.

*Risk of Operations/Liquidity Risks.* Although the securities that the Funds may acquire generally will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Funds to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which the Funds may invest may be thinly traded, potentially making it difficult for the Funds to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so. There may be a variety of other reasons why a security in which the Funds may invest may be illiquid, and, in such event, the Funds may have similar issues with realizing such security.

*Risks of Foreign Investments.* The Funds may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by

U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Funds may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Funds may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Funds may invest may be thinly traded and relatively illiquid or may cease to be traded after the Funds invest in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Funds occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, the Funds may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

*Company Capitalization.* The Funds may invest in securities of companies with various capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium- capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future.

*Securities of Sub-Investment Grade Companies.* Special risks may arise if the Funds invest in the securities of sub-investment grade and highly-leveraged companies. Although such investments may result in significant returns to the Fund, they involve a substantial degree of risk. If the Funds purchase distressed and/or non-performing debt securities, and subsequent to purchasing them finds that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time.

Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment. Under such circumstances, the returns generated from the Funds' investments may not compensate the Investors adequately for the risks assumed.

*Special Situation Investments.* The Funds may invest in companies involved in, or the target of, acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investment in such companies.

*Cyber-Security Risk.* The Funds depend on the Firm to develop and implement appropriate systems for their activities. The Funds may rely on computer programs to evaluate certain securities and other investments, to monitor investments, to trade, clear and settle securities transactions and to generate asset, risk management and other reports that are utilized in the oversight of Fund activities. Like other business enterprises, the use of the Internet and other electronic media and technology exposes the Firm and the Funds, their respective service providers and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, "cyber-events"). Cyber-events may include, for example, unauthorized access to systems, networks or devices (e.g., through "hacking" activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as the inadvertent release of confidential information due to, for example, damage or interruption from computer viruses, network failures, computer and telecommunication failures, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Any cyber-event could adversely impact the Firm and/or the Funds and their respective Investors and cause the Firm and/or the Funds to incur financial loss and expense, as well as face exposure to regulatory penalties, reputational damage, and additional costs associated with corrective measures. A cyber-security breach could also result in the loss or theft of Investor data. A cyber-event may cause the Firm and/or the Funds, or their respective service providers, to lose proprietary information, suffer data corruption, lose operational capacity (e.g., the loss of the ability to process transactions, calculate the Fund's net asset value, or allow Investors to transact business), and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorized monitoring and failures in the physical infrastructure or operating systems that support the Firm and/or the Funds, or their respective service providers. In addition, cyber-events affecting issuers in which the Funds invests could cause the Funds' investments to lose value. The nature of malicious cyber-attacks is becoming increasingly sophisticated and the Firm, the Administrator and the Funds cannot control the cyber systems and cyber-security systems of the issuers of the securities held by the Fund or third-party service providers.

*Financial Institution, Counterparty Risk and Distress Event.* Institutions, such as brokerage firms, banks

and broker-dealers, generally have custody of the Fund's portfolio assets and may hold such assets in "street name." The Funds are subject to the risk that these firms and other brokers, counterparties or clearinghouses with which the Funds deal may default on their obligations to the Funds or experience insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "**Distress Event**"). Distress Events can be caused by factors including, but not limited to, negative market sentiment, credit rating downgrades, significant withdrawals, fraud, undercapitalization, or accounting irregularities. If a Financial Institution experiences a Distress Event, the Firm and/or the Funds or one or more of the Fund's portfolio investments may be unable to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by government-sponsored organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the stated amounts are subject to risk of permanent loss. While in recent years governmental intervention has resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that such intervention will occur in connection with any future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, delays or negative impacts on banking or brokerage conditions.

Any Distress Event could have a potentially adverse effect on the ability of the Firm to manage the Funds and its investments, and on the ability of the Firm, the Funds and portfolio investment to maintain operations, which, in each case, could result in significant losses. Such losses may include: loss of funds, the inability of the Fund to access capital contributions or pay capital redemptions, the inability of the Funds to acquire or dispose of investments, and the inability of the Firm or the portfolio investments to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that a Fund or a portfolio investment will incur additional expenses in putting in place alternative arrangements, or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, availability, access to capital). To the extent the Firm is able to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses, delays or other negative impacts. The Funds and its portfolio investments are subject to similar risks if a Financial Institution utilized by investors in the Fund or by vendors, contractors, service providers or other counterparties of the Fund or a portfolio investment becomes subject to a Distress Event, which could have a material adverse effect on the Fund and/or one or more of its portfolio investments.

Many Financial Institutions require, as a condition to using certain of their services (often including lending services), that the Firm and/or the Funds maintain all or a set amount or percentage of their respective accounts or assets with that Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the Firm seeks to do business with Financial Institutions that it believes are established, well-capitalized and capable of fulfilling their respective obligations to the Funds, the Firm is under no obligation to use a minimum number of Financial Institutions with respect to the Funds or to maintain account balances at or below the relevant insured amounts. Under certain circumstances the Funds will not be able to maintain account balances at or below any relevant insured amounts.

#### ***Risks related to the Funds and the Liquidating Fund***

- There is not and will not be an active market for Fund interests or Liquidating Fund interests. It may be impossible to transfer any Fund interests. Fund investors are restricted as described in Item 5.
- A Fund may not be able to generate cash necessary to satisfy investor withdrawals. Substantial withdrawals in a short period could force the Funds to liquidate investments too rapidly, and may

negatively impact the size of a Fund and returns.

- A Fund may limit or suspend withdrawals of an investor's assets from the Fund.
- A Fund may establish a reserve for contingencies if the Firm considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- A Fund and not the Firm is responsible for any trade errors that the Firm makes in that Fund's account, even if the error results in a loss for the Fund.
- No client or investor has been represented by separate counsel. The attorneys who represent the Firm do not represent the Funds or investors. Investors must hire their own counsel for legal advice and representation.
- A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- The Firm determines the value of securities and commodities held in each Fund's account, whether or not a public market exists for those instruments, based on its valuation policy. If a valuation is inaccurate, the Firm and the General Partner might receive more compensation than that to which they are entitled, a new Fund investor might receive an interest that is worth less than the investor paid and an investor that is withdrawing or redeeming from a Fund might receive more than the amount to which the investor is entitled. As such, inaccurate valuations have the potential to harm new investors, existing investors, withdrawing/redeeming investors and the Funds.
- The Firm, the Funds' administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of the Firm, a Fund or the administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- A Fund may take action with respect to an investor's investment or withdrawal proceeds as it considers appropriate under relevant legislation and regulations, including but not limited to the Foreign Account Tax Compliance Act, and any associated legislation, regulations or guidance, or similar legislation, regulations or guidance enacted in any jurisdiction that seeks to implement similar tax reporting and/or withholding tax regimes. Failure by an investor to assist a fund in meeting its obligations pursuant to such legislation and regulations may result in pecuniary loss to that investor.
- Under revised tax rules, an audit adjustment to a fund's U.S. tax return for any tax year beginning after 2017 could result in a tax liability (including interest and penalties) imposed on the fund for the year during which the adjustment is determined.
- A Fund's activities could cause adverse tax consequences to investors, including liability for interest and penalties.
- The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.

The above is only a brief summary of some of the important risks that a client or an investor may encounter. Before deciding to invest in a fund, you should consider carefully all of the risk factors and other information in the Fund's Offering Documents.

#### **Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

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***Code of Ethics***

Darlington Partners has adopted a "Code of Ethics" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and Employees should not take inappropriate advantage of their position at the Firm.
- Independence in the investment decision-making process must be maintained at all times.

The Code of Ethics places restrictions on personal trades by employees and mandates that employees disclose their personal securities holdings and transactions to the Firm on a regular basis. The Code of Ethics permits personal accounts, but requires pre-approval and minimum holding periods for certain types of transactions. Employees are also prohibited from personally, or on behalf of a Fund, purchasing or selling securities that appear on the Firm's Restricted List.

Employees must also obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

The CCO must obtain pre-approval from one of the Firm's principals before making any i) personal trades, ii) engaging in outside business activity or iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

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**Item 12: Brokerage Practices**

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Darlington Partners is authorized to determine the broker-dealer to be used for executing securities transactions for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to solely seek the lowest available commission cost. Generally, it is not our practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines as described in the Fund's Offering Documents.

### ***Best Execution***

In selecting an appropriate broker-dealer to effect a Client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a Client in such a manner that a Client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, research reports, , economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, consultations, performance measuring data, on-line pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, willingness to commit capital, knowledge of other buyers and sellers, order of call, offering to the Investment Adviser on-line access to computerized data regarding clients' accounts, computer trading systems, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, confidentiality, custody, recordkeeping and similar services.

### ***Soft Dollars***

The Firm may use "**Soft Dollars**." In such cases, Soft Dollar credits, generated by the Fund's trading activities, would be used to purchase brokerage and research services or products for the Funds, including industry conferences and third-party research fees and other expenses as described in a Fund's Offering Documents. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Firm (i.e., a "mixed use" item), the Firm will make a good faith allocation of the cost which may be paid for with soft dollars.

Neither Darlington Partners nor any related person receives client referrals from any broker- dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a Client. Any research, services or property provided by a broker may benefit any Client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

### ***Item 13: Review of Accounts***

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Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

### ***Account Reporting***

We perform various periodic reviews of each Client's portfolio. Such reviews are conducted by the Firm's principals.

We will distribute audited financial statements for each Fund with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We will also distribute monthly capital statements and provide a quarterly investor letter to all Investors.

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

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

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**Item 15: Custody**

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We are deemed to have custody of the Funds' assets and securities because our affiliate, the General Partner, serves as general partner of the Funds.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

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**Item 16: Investment Discretion**

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We will have full discretionary investment authority with respect to the Funds, including the authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Our investment discretion and authority are subject to the limitations set forth in the particular Fund's Offering Documents, as applicable.

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**Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures ("Proxy Voting Policy"). The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy Voting Policies and our proxy voting records upon request.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.