

CORNELL CAPITAL LLC  
Part 2A of Form ADV  
The Brochure

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March 29, 2019

This brochure provides information about the qualifications and business practices of Cornell Capital LLC (“**Cornell**” or the “**Firm**”). If you have any questions about the contents of this brochure, please contact us at 212-818-8980. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority. The Firm is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Cornell is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

Cornell has amended this brochure as part of its Form ADV Annual Updating Amendment for the fiscal year-end date of December 31, 2018. Since the Firm's last Form ADV Annual Updating Amendment, which was filed March 30, 2018, this brochure has been amended to reflect ordinary course updates or clarifications, but there are no material changes.

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#### Item 4: Advisory Business

- A. Description of Firm and Principal Owners. Cornell Capital LLC, a Delaware limited liability company, is a privately-held investment adviser founded in 2013 and indirectly wholly owned by its Chief Executive Officer, Henry Cornell.
- B. Description of Advisory Services. Cornell provides and is expected to continue to provide investment advisory services to closed-end, private equity, privately-placed limited partnerships. Currently, this includes Cornell Capital Partners LP (“**Fund I**”) and Cornell Capital Special Situations Partners II LP (“**Special Situations Fund II**,” and, together with Fund I and certain Co-Investment Funds referred to below, “**Private Funds**” or a “**Fund**”), each of which, depending on the investment mandate for the particular Fund, may invest in a single portfolio company or in multiple portfolio companies. The Private Funds may be structured as limited partnerships organized domestically or offshore. Investment advisory services provided by Cornell are provided directly to each Private Fund and not individually to the investors of the Private Fund.

Cornell has also established certain co-investment vehicles (each, a “**Co-Investment Fund**” and collectively, the “**Co-Investment Funds**”), which may, to the extent available and at the discretion of Cornell, offer co-investment opportunities alongside the Funds.

Cornell Capital GP LP serves as the general partner for Fund I, Cornell Capital GP II LP serves as the general partner for Special Situations Fund II and CC Co-Invest GP LP serves as the general partner for the Co-Investment Funds. Cornell serves as the investment adviser with discretionary authority to implement investment decisions for the Private Funds. Cornell’s investment decisions and advice with respect to the Private Funds are in accordance with the investment objectives and restrictions set forth in the constituent documents of each Private Fund. The investors in the Funds may not direct investments by the Funds, and except in limited circumstances, investors are not permitted to withdraw from a Fund prior to completion of such Fund’s winding up.

- C. Tailoring Advisory Services to Individual Needs. Cornell tailors its advisory services to the Private Funds as set forth in the constituent documents associated with each Private Fund. Investment advice is provided directly to each Private Fund and not individually to investors in the Private Funds.
- D. Wrap Fee Programs. Cornell does not participate in wrap fee programs.
- E. Regulatory Assets Under Management. As of December 31, 2018, Cornell had \$2,106,164,470 in discretionary regulatory assets under management and \$1,162,386,531 in non-discretionary regulatory assets under management.

#### Item 5: Fees and Compensation

- A. The applicable fees for each Private Fund are disclosed to investors in the constituent documents of each Private Fund. The Firm or its designee is generally entitled to receive a management fee payable quarterly by the applicable Private Fund with respect to each of the Private Fund’s investors (other than any affiliated investor or as described below). The general partners of the Private Funds (the “**General Partners**”) generally receive or will receive a “carried interest” or incentive allocation, in each case, from the Private Fund with respect to such Private Fund’s investors (other than any affiliate investor or as described below). Incentive allocations are typically measured as a percentage of the profits of a Private Fund and are determined separately for each Private Fund at a rate generally consistent with industry standards.
- B. As more fully described in the constituent documents for each Private Fund, management fees are generally payable to Cornell quarterly in advance with fees payable on a pro rata basis for any period that is less than a full quarterly period. The investment advisory agreement and other constituent documents generally provide for a management fee based on a percentage of the aggregate capital commitments of the relevant Private Fund commencing on the investment date or closing date and ending on a specified anniversary of the respective date, and thereafter as a percentage of the actively invested capital of the Private Fund. All management fees are determined separately for each Private Fund at a rate generally consistent with industry standards. Cornell may, in its sole discretion, permit investors who are employees, “friends and family” or Cornell personnel to invest in a

Fund without being subject to the management fee or the carried interest. In addition, certain investors may be entitled to invest on a waived, reduced or otherwise more favorable management fee and/or carried interest basis pursuant to certain Side Letters (as defined below) entered into by Cornell with such investors.

Management fees that Fund I and Special Situations Fund II would otherwise be required to pay in any given quarter may be offset by other fees received by Cornell or another affiliated person that are associated with the acquisition, monitoring, disposition or management of a portfolio company in which such Fund invests or in connection with unconsummated transactions (e.g., break-up and topping fees, commitment fees, monitoring and director fees and acquisition, advisory, financing, divestment and other similar fees), with any such management fee offset being determined as set forth in such Fund's constituent documents, which generally provide that offsets will be proportionate to such Fund's ownership percentage or anticipated ownership percentage in such portfolio company. If, after giving effect to any such reduction in the management fee amount for any quarterly period, any portion of such other fees for such quarterly period remains unapplied, such portion will be applied to reduce the management fee amounts for subsequent quarterly periods.

Incentive allocations are assessed periodically, typically after the receipt by the Private Funds of proceeds from a portfolio investment, and are paid out of cash otherwise distributable to Private Fund investors.

- C. The applicable expenses for each Private Fund are disclosed to investors in the constituent documents for the relevant private offering and the governing agreements of each Private Fund. Generally, all investment costs and partnership expenses related to the organization and administration of each Private Fund, any taxes imposed on each Private Fund and the costs and expenses of the acquisition, carrying or disposition of investments, including but not limited to private placement fees, sales commissions, financing fees, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, accounting, legal, investment banking, consulting, information services, professional fees, custodial, trustee, record keeping, partnership reporting, insurance, telephone, travel, and other such expenses are either paid by or reimbursed to Cornell by each Private Fund, subject to certain limitations as set forth in each Private Fund's constituent documents.

Detailed information regarding the fees and expenses charged to each Private Fund is provided in the constituent documents of each Private Fund. Investors in a Private Fund should review all fees and expenses charged by Cornell, its affiliates, and others to fully understand the total amount of fees and expenses to be paid by the Private Fund and, indirectly, the investors in such Private Fund.

- D. Generally, management fees are payable quarterly, in advance. Cornell will generally be required to refund to the Private Fund any unearned management fees in respect of any quarterly period that is shorter than a full calendar quarter or in respect of which the Firm is not serving as the manager of the Private Fund.
- E. Cornell and/or supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Incentive Allocations and Side-by-Side Management**

As stated in Item 5 above, Cornell is generally eligible to earn performance-based carried interest or incentive allocation based on the profits derived from a Private Fund's investments. Such carried interest or incentive allocation is based on investment profits and, as a result, may create an incentive for Cornell to make investments on behalf of a Private Fund that are riskier or more speculative than would be the case in the absence of such incentive allocation.

Cornell seeks to address these conflicts through careful vetting of investment opportunities by Cornell's investment professionals, disclosure of investments to investors in each Private Fund by way of periodic reports, and the investment by a number of Cornell's investment professionals in the Private Funds (in an effort to align Cornell's and each Private Fund's interests). It is generally expected that not more than one Private Fund will invest in any portfolio company (other than any Private Funds that are specifically formed to co-invest alongside other Private Funds); accordingly, the side-by-side management of more than one Private Fund invested in a particular portfolio company is not likely to occur.

## Item 7: Types of Clients

Cornell provides investment advisory services to pooled investment vehicles that invest in portfolio companies. Investors in the pooled investment vehicles managed by Cornell may include high net worth individuals and a variety of institutional investors (e.g. trusts, employee benefit plans, endowments, foundations, sovereigns, corporations and other types of entities, including private funds of funds). Some of the Firm's clients are privately offered funds, which will typically be structured as limited partnerships that are exempt from registration as investment companies under U.S. law by virtue of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). To qualify for the 3(c)(7) exemption, all investors in the privately offered funds are required to be "qualified purchasers" (as defined in the Investment Company Act) and must satisfy such other investor qualification requirements in order to satisfy applicable securities laws. In addition, the privately offered funds' rely on Regulation D, promulgated under the Securities Act of 1933, which requires all investors to be "accredited investors".

Cornell also advises one separately managed account (the "**Other Account**"). The Other Account is a co-investment by a third party in a single holding of another Cornell Fund. The Other Account is not offered or open to additional investors.

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

- A. The Firm seeks to invest in attractive companies across a wide range of industries and geographies. Cornell's objective is to partner with management teams by providing patient, long-term capital as well as the strategic and operational guidance to enhance value creation for all stakeholders. The Firm targets leading businesses at attractive valuations, and identifies such opportunities through its analysis of sector and market opportunities and its deep global network of relationships with companies and individuals.

Cornell generally seeks to invest in equity securities of private companies. Cornell may also invest in public companies, and in debt or hybrid securities of public or private companies. Investments into public companies are intended as investments, rather than trading positions.

Potential investments undergo an intensive due diligence review process that includes an evaluation of the target company's financial and strategic positioning, management team, industry factors, accounting and legal matters, as well as other customary diligence undertakings. Cornell may work with specialized professional service firms, third-party consultants, and other appropriate resources to identify and assess the investment risks specific to each investment.

Investing in securities involves risk of loss that clients should be prepared to bear.

- B&C. Investing in the Private Funds involves a number of risks. An investment in a Private Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the respective Private Fund, and are capable of bearing illiquidity for substantial periods of time. No guarantee or representation is made that a Private Fund will achieve its investment objectives or that investors will receive a return of their capital, and the investment strategy offered by Cornell could lose money over short or even long periods. With respect to any Private Fund, prospective and existing investors are advised to review the constituent documents and other materials for full details on each Private Fund's investment, operational, and other actual and potential risks.

The descriptions contained below are a brief overview of different market risks related to Cornell's investment strategy and potential conflicts of interest that may arise in connection with the activities of Cornell and its affiliates, on the one hand, and the Funds on the other hand; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise.

### *Limited Number of Investments*

Some of the Firm's Private Fund clients only make a single investment and, as a consequence, the returns realized by the investors in such a Private Fund would be adversely affected in a material manner by the unfavorable performance of such investment.

### *No Assurance of Investment Return*

There is no assurance that the Private Funds will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions in which the Private Funds will invest. There can be no assurance that the Private Funds' investment objectives will be achieved or that there will be any return of capital. Therefore, an investor should only invest in the Private Funds if the investor can withstand a total loss of its investment.

### *Highly Competitive Market for Investment Opportunities*

The business of identifying and structuring private equity investments is highly competitive and involves a high degree of uncertainty. Cornell will be competing for investments with other investment funds, as well as individuals, financial institutions, other institutional investors, and strategic corporate investors. Over the past several years, an increasing number of investment funds have been formed with similar investment objectives to Cornell's, and many such existing funds have grown in size. These and other investors may make competing offers for investment opportunities identified by Cornell which may affect Cornell's ability to participate in attractive investment opportunities. Even where successful in executing a definitive agreement with respect to an investment opportunity, completing the transaction may be subject to conditions and uncertainties, only some of which are foreseeable or within Cornell's control. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

### *Future Legal, Tax and Regulatory Risks for Private Equity Funds*

Future legal, tax and regulatory changes could occur that may adversely affect a Fund or Cornell. The regulatory environment for private equity funds is evolving, and changes in regulations that impact private equity funds may adversely affect the value of investments held by a Fund and the ability of a Fund to pursue its investment strategy. In light of the heightened regulatory environment in which the Funds and Cornell operate and the ever-increasing regulations applicable to private investment funds and their investment advisors, it has become increasingly expensive and time-consuming for the Funds, Cornell and their affiliates to comply with applicable regulatory obligations. The Funds may also be adversely affected by changes in the enforcement or interpretation of existing laws, rules and regulations, including tax laws, by federal, state and non-U.S. agencies, courts, authorities or regulators. The effect of any future regulatory changes on the Funds or Cornell could be substantial and potentially adverse.

### *Reliance on the Partners and Investment Professionals*

The successful investment by a Private Fund will depend upon, among other things, the skill and expertise of Cornell's partners and Cornell's other investment professionals. There can be no assurance any of the foregoing will continue to be associated with the Private Funds throughout the life of the Private Funds. The unavailability of Cornell's partners or Cornell's other investment professionals to manage the Private Funds could have a material adverse effect on the Private Funds or portfolio companies. Investors in the Private Funds will have no right or power to participate in the management, disposition or other realization of any investment, the day-to-day operations of the Private Funds or any other decisions regarding the Private Funds' business and affairs. Investors should expect to rely solely on Cornell's ability with respect to the Private Funds' operations.

### *Cybersecurity Threats*

Cornell, the Funds and any portfolio companies may face risks due to cybersecurity threats. Such threats include and have included attempts to gain unauthorized access to sensitive information, including, without limitation, information regarding investors in a Fund and a Fund's investment activities, or to render data or systems unusable, any of which—if ultimately successful—could result in significant losses.

Any cyber attacks against Cornell, the Funds or any portfolio companies or any of their respective third-party service providers could lead to the loss of sensitive information essential to Cornell, the Funds or any portfolio

companies' operations and could have a material adverse effect on such entity's reputations, financial positions or cash flows, could lead to financial losses from remedial actions, loss of business, or could lead to potential liability, including losses which may be in excess of, or not covered by, such entity's insurance policies. The public perception that Cornell, the Funds or any portfolio companies have been the target of an attack, even if unsuccessful, may materially affect such entity's reputation.

Cyber attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and obstruction, deletion or corruption of data. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on systems or web sites rendering them unavailable or incidental or intentional disclosure of data by employees or agents of Cornell, the Funds or any portfolio companies. The controls and procedures, business continuity systems, and data security systems of Cornell, the Funds and any portfolio companies and each of their respective service providers could prove to be inadequate to prevent, detect or recover from a cyber attack. These problems may arise in both the internally developed systems of Cornell, the Funds or a portfolio company or in the systems of third-party service providers upon which such entities rely.

### *Financial and Business Risk*

Investments made by the Funds will generally involve a significant degree of financial and/or business risk. Portfolio companies may face competition, changing business or economic conditions or other developments that may adversely affect their performance. Certain of the Funds' investments may be in businesses with little or no operating history. Portfolio companies may be highly leveraged and therefore may be more sensitive to declines in revenues, increases in expenses and adverse business, political or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies or their industries. Business risks may be more significant in smaller portfolio companies or those that are embarking on a build-up or operating turnaround strategy. If, for any of these reasons, a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of such Fund's investment in such portfolio company could be significantly reduced or even eliminated.

In addition, general fluctuations in the market prices of securities may affect the value of the investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds' investments.

### *Illiquid and Long-term Investments*

The Private Funds' investments will include investments in portfolio companies for which no public market may exist. Although the Private Funds' investments may generate some current income, the return of capital and the realization of gains, if any, from the Private Funds' investments will generally occur only upon the partial or complete disposition or refinancing of such investment. Generally, there will be no public market for the investments held by the Private Funds at the time of its acquisition. To the extent that the Private Fund's investments are not publicly traded, the Private Funds may be unable to liquidate the investment for a significant period of time and may be unable to do so at a profit.

### *Investments Longer than Term*

A Fund may make investments which may not be advantageously disposed of prior to the date such Fund will be dissolved, either by expiration of such Fund's term or otherwise. Although Cornell expects that investments will be disposed of during a reasonable wind-up period following the dissolution of a Fund or be suitable for in-kind distribution during such wind-up period, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as such Fund seeks to wind up its affairs.

### *Follow-On Investments*

A Fund may be called upon to provide follow-on funding for its portfolio companies or may have the opportunity to increase its investment in such portfolio companies. There can be no assurance that such Fund will wish to make



follow-on investments or that it will have sufficient funds to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish such Fund's ability to influence the portfolio company's future development.

### *Side Letters*

A Fund's general partner may from time to time enter into letter agreements or other similar arrangements (collectively, "**Side Letters**") with one or more investors that have the effect of establishing rights under, or altering or supplementing the terms of the governing documents of a Fund or any subscription agreement of such Fund. As a result of such Side Letters, certain investors may receive additional benefits (such as reduced carried interest or management fees or certain co-investment rights or information rights) that other investors will not receive. The other investors will have no recourse against such Fund, such Fund's general partner or any of their affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters.

### *Use of Leverage*

The General Partner of a Private Fund may utilize leverage in the form of lines of credit, loan commitments and letters of credit for the Private Fund in connection with investments. Although the General Partner will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of the Private Fund's investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment.

The General Partner of a Private Fund may obtain one or more revolving credit facilities that may be secured by, among other things, the aggregate capital commitments of the investors of the Private Fund, the investors' obligations to make capital contributions and a collateral account of the Private Fund into which the payment by the investors of their available capital commitments are to be made. Any inability of the Private Fund to repay such borrowings could enable a lender to take action against an investor to the extent of its then available capital commitment to the Private Fund. The General Partner of a Private Fund may borrow funds to fund drawdowns until such funds are otherwise made available or guarantee any obligation or otherwise become contingently liable with respect to indebtedness or other obligations of any portfolio company or affiliate of any portfolio company. Borrowings by a Private Fund has the potential to diminish returns (or increase losses on capital) to the extent overall returns are less than the Private Fund's cost of funds. Fees and expenses incurred by a Private Fund in connection with any such leverage, including any interest payments, will be borne by such Private Fund.

The extent to which a Private Fund uses leverage may have the following consequences, among others, to the investors in the Private Fund: (i) greater fluctuations in the net asset value of the Private Fund's assets; (ii) use of cash flow (including capital contributions) for debt service; (iii) to the extent that Private Fund's revenues are required to meet principal payments, the investors may be allocated income (and therefore tax liability) in excess of cash distributed; (iv) in certain circumstances, the Private Fund may be required to dispose of the investment at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants; and (v) the use of leverage can, under certain circumstances, limit the ability of the General Partner of a Private Fund to consent to transfers of investors' interests in the Private Fund. There can be no assurance that a Private Fund will have sufficient cash flow to meet its debt service obligations. As a result, the Private Fund's exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.

### *Reliance on Management of Operating Companies*

Cornell expects to obtain rights to participate substantially in the conduct of the management of many of the Funds' portfolio companies. Cornell will typically designate directors to serve on the boards of directors of portfolio companies. However, management will be primarily responsible for the operations of the company on a day-to-day basis. In addition, the designation of representatives and other measures contemplated could expose the assets of a Fund to claims by a portfolio company, its security holders and its creditors, including claims that such Fund is a controlling person and, thus, liable for securities laws violations of a portfolio company. These measures also could result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company, could result in claims against a Fund if the designated directors violate their fiduciary or other duties to a portfolio

company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles and could expose a Fund to claims that it has interfered in management to the detriment of a portfolio company. While Cornell intends to operate the Funds in a way that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

#### *Restrictions on Transfer or Withdrawal*

The interests in the Funds represent highly illiquid investments and should only be acquired by investors able to commit their funds for an indefinite period of time. Investors will not be permitted to transfer their interests in the Funds without the consent of the relevant Fund general partner. Furthermore, the transferability of such interests will be subject to certain restrictions contained in the governing documents of a Fund and the subscription agreements for such Fund and may be affected by restrictions on resales imposed under federal and state securities laws. A public market does not currently exist for interests in the Funds and one is not expected to develop. Investors may not withdraw capital from a Fund. Consequently, an investor may not be able to liquidate its investment prior to the completion of the winding up of a Fund.

#### *Absence of Regulatory Oversight*

The Funds are not registered as investment companies under the Investment Company Act, and, accordingly, the protections of the Investment Company Act are not applicable to the Funds. In addition, the interests in the Funds have not been and will not be registered under the laws of any jurisdiction (including the Securities Act of 1933, as amended, the laws of any state of the United States or the laws of any non-U.S. jurisdiction), and are being offered in reliance upon an exemption from such laws. The interests have not been recommended by any U.S. federal or state, or any non-U.S., securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of any Fund's private placement memorandum.

#### *Business with Portfolio Companies and Investors*

A portfolio company of a Fund may from time to time provide services to another portfolio company of such Fund, or to Cornell, such Fund's general partner or their affiliates. Such arrangements are intended to be entered into on an arm's-length basis as the parties deem appropriate. In addition, Cornell or its affiliates may from time to time utilize the services of one or more investors and their affiliates on an arm's-length basis, as the parties deem appropriate.

#### *Other Fees*

Cornell or its affiliates will or may receive certain fees from portfolio companies in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., break-up and topping fees, commitment fees, monitoring and director fees and acquisition, advisory, financing, divestment and other similar fees).

When a fee is paid to Cornell or its affiliates arising from a transaction where a Fund has invested, or proposes to invest, alongside other co-investors, only the portion that is allocable to a Fund's investment (based on such Fund's ownership percentage of the transaction) will reduce the obligations of the investors of such Fund to make capital contributions in respect of management fees. Accordingly, Cornell or its affiliates may receive fees that are allocable to such other co-investors (other than such Fund) that will not reduce the obligations of the investors of such Fund to make capital contributions in respect of management fees.

#### *Diverse Membership*

The investors of the Funds may include taxable and tax-exempt entities and persons from jurisdictions outside of the United States. Such persons may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by Cornell, including with respect to the nature or structuring of investments that may be more beneficial for

one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, Cornell will consider the investment and tax objectives of the Funds and their partners as a whole, not the investment, tax or other objectives of any investor individually.

### *Co-Investment Opportunities*

Cornell may in its discretion offer certain opportunities to co-invest with a Fund ("**Co-Investment Opportunities**") to various third parties including, without limitation, certain investors in the Funds and other existing and future pooled investment vehicles and client accounts (including co-investment vehicles). The allocation of any such Co-Investment Opportunities may or may not be in proportion to the commitments of such investors and may involve different terms and fee structures. In these cases, while Cornell will seek to act in the best interest of the applicable Funds, it could be argued that a Fund received a smaller allocation in the particular investment than it otherwise would have received if Cornell had not provided the third party with the Co-Investment Opportunity. Any expenses attributable to a particular investment held by a Fund and any co-investment vehicle established by Cornell will generally be allocated among such Fund and such co-investment vehicle *pro rata* in accordance with their respective aggregate invested capital in such investment. Any expenses associated with any proposed Fund investment that is ultimately not consummated (including any expenses that would have been allocable to co-investors had such proposed investments been consummated) will generally be borne by the applicable Funds. Moreover, it is possible that certain terms and fee structures offered with respect to these Co-Investment Opportunities to third-party co-investors may be more favorable than those offered to investors in the Funds.

### *Conflicts with Portfolio Companies*

Cornell investment professionals may serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interests of the portfolio company and all of its stakeholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of the portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there may be conflicts of interests between such individual's duties as an officer or employee of Cornell and such individual's duties as a director of the portfolio company.

### *Use of Advisors and Other Service Providers*

The Funds and their portfolio companies may engage certain advisors and other service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment firms and investment or commercial banking firms) that may also provide services to or have business, personal, financial or other relationships with Cornell or its affiliates. Such advisors and service providers may be investors in a Fund, affiliates of Cornell, sources of investment opportunities or co-investors or commercial counterparties. Cornell intends to select these advisors and other service providers based on a number of factors, including expertise and experience, knowledge of related or similar products, quality of service, reputation in the marketplace, and price. These service providers may have business, financial, or other relationships with Cornell, which may or may not influence Cornell's selection of these service providers for the Funds. The Funds are expected to pay customary compensation to the advisors and other service providers selected by Cornell, which may charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these advisors and other service providers by a Fund or its portfolio companies, on the one hand, may be more or less favorable than the rates paid by Cornell or its affiliates on the other hand.

## **Item 9: Disciplinary Information**

Cornell is not aware, after having conducted a reasonable inquiry into the Firm and its management persons, of any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Cornell's advisory business or the integrity of its management.

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

- A. Neither Cornell nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Cornell nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Employees of Cornell may serve as directors and officers of, and provide advice to, publicly traded companies, private companies, and various predecessor entities. Investors in a Private Fund should be aware that receipt of material non-public information by Cornell's related persons regarding these companies could preclude Cornell and any Private Fund from effecting transactions in the securities of such companies. Compensation for directorships with a portfolio company will be treated as provided in the relevant Private Fund's constituent documents.

Certain of the related persons of Cornell may have personal investments in companies, limited partnerships, or limited liability companies, including other partnerships, and investment funds. To the extent that conflicts arise, they are reviewed by Cornell's compliance personnel. Additionally, pursuant to the constituent documents of each Private Fund, the General Partner may form an advisory committee of representatives of investors (the "**LP Advisory Committee**"). The LP Advisory Committee will, upon the General Partner's request, review and approve or disapprove any potential conflicts of interest in any proposed transaction or relationship between the Private Fund, the portfolio company or any of its respective subsidiaries, on the one hand, and the General Partner or any Cornell affiliate on the other hand. The LP Advisory Committee may also advise on other matters as set forth within the constituent documents of each Private Fund. However, the LP Advisory Committee will not possess or exercise any power that would constitute participation in the control of the business of a Private Fund.

- D. Cornell does not recommend or select other investment advisers for its clients.

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

Cornell has adopted a formal compliance code of conduct that includes a securities trading code of ethics, insider trading policies and procedures, and procedures to address "pay to play" rules and regulations. Among other things, the code of conduct requires that employees act with integrity, place the interests of clients above their own, avoid actual and potential conflicts of interest, and comply with applicable provisions of all laws.

The policies also require employees to pre-clear certain personal securities transactions, report personal securities transactions on at least a quarterly basis, and provide Cornell with a detailed summary of certain holdings annually. Cornell regularly reviews its compliance systems and procedures with experienced compliance consultants.

A copy of Cornell's compliance policy will be provided to any investor or prospective investor upon request.

## **Item 12: Brokerage Practices**

- A. Cornell primarily focuses on making private investments in portfolio companies on behalf of the Private Funds, and as a result it does not ordinarily deal with any financial intermediary such as a broker-dealer, and the Private Funds do not ordinarily incur commissions in connection with such investments. To the extent Cornell transacts in public securities on behalf of a Private Fund, generally as part of a private equity transaction or as a result of the Private Fund's ownership of such securities as a result of a portfolio company executing a public offering, in situations where Cornell may need to select a broker-dealer, Cornell will consider the broker's execution capabilities, including block positioning, research, financial stability, ability to maintain confidentiality, delivery and ability to obtain best execution for all client securities transactions. Cornell has the authority to select the executing broker or dealer for any transaction and negotiate the commission rates or commission equivalents charged for transactions. Cornell does not have any agreements in place that require that Cornell give any specified amount of brokerage to any broker-dealer.

Cornell does not utilize soft dollar arrangements outside of routinely available research provided by trading counterparties. Cornell does not direct trading activity in lieu of payments for research or other services. The receipt of such research will be in accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

- B. It is generally expected that not more than one Private Fund will invest in any portfolio company (other than any Private Funds that are specifically formed to co-invest alongside other Private Funds); accordingly, the side-by-side management of more than one Private Fund invested in a particular portfolio company is not likely to occur. However, should more than one Private Fund ever invest in a given portfolio company, the Firm intends to allocate such opportunities among the applicable Private Funds in a fair and equitable manner and in accordance with the terms of the applicable governing documents.

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

- A. As noted above, Cornell primarily focuses on private investments in portfolio companies. The portfolio investments of the Private Funds are reviewed by Cornell's investment professionals on a quarterly basis. The valuation of the Private Funds' investments are reviewed quarterly in accordance with the Firm's Valuation Policy.
- B. Cornell will continuously monitor portfolio investments on behalf of the Private Funds.
- C. Cornell provides quarterly and annual reports (including annual audited financial statements) to investors in each Private Fund in accordance with the terms of the constituent documents of the relevant Private Fund.

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

- A. As previously noted, the receipt of any other fees or compensation by Cornell or its affiliates in connection with the acquisition, monitoring, disposition or management of a portfolio company on behalf of Fund I or Special Situations Fund II, as well as any fees received by Cornell with respect to any unconsummated transactions related to such Funds, may be utilized to offset the management fees paid by such Fund's investors, with any such management fee offset being determined as set forth in such Fund's constituent documents, which generally provide that offsets will be proportionate to such Fund's ownership percentage or anticipated ownership percentage in such portfolio company.
- B. As of December 31, 2018, Cornell provided compensation to UBS Securities LLC related to the solicitation of new investors that commit capital to a Private Fund.

### **Item 15: Custody**

All assets of the Private Funds are held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however, Cornell may be deemed to have access to client accounts since its affiliates serve as the General Partners of the Private Funds. Investors of each Private Fund will not receive statements from the custodian. Instead, each Private Fund is subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to the investors in each Private Fund. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Private Fund's fiscal year end.

### **Item 16: Investment Discretion**

Cornell serves as the investment adviser with discretionary authority to implement investment decisions for each Private Fund. Cornell's investment decisions and advice with respect to the Private Funds is subject to each Private Fund's constituent documents.

## **Item 17: Voting Client Securities**

The Private Funds may have the opportunity to vote on a variety of corporate actions with respect to their portfolio companies. As part of the services provided by Cornell, the Firm has adopted voting policies and procedures, which include voting of proxies by Cornell's Chief Executive Officer. These proxy voting policies and procedures are designed to confirm that Cornell votes the proxies of each Private Fund in the best overall interests of the Private Fund. Cornell maintains a record of all proxy votes cast on behalf of the Private Funds. The investors in each Private Fund may contact Cornell for a copy of the policy or information with respect to a specific proxy vote.

## **Item 18: Financial Information**

- A. Cornell does not require prepayment of fees from clients more than six months in advance.
- B. Currently, Cornell and its affiliates are not aware of any financial condition that is likely to impair Cornell's ability to meet its contractual obligations and commitments to clients.
- C. Cornell has never been the subject of a bankruptcy petition.