

Form ADV Part 2 — Firm Brochure

KSL Advisors, LLC

100 Fillmore Street, Suite 600
Denver, CO 80206
(720) 284-6400
www.kslcapital.com

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This brochure provides information about the qualifications and business practices of KSL Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (720) 264-6400 or by email at info@kslcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

KSL Advisors, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training.

Additional information about KSL Advisors, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On February 14, 2012, we filed our initial application to register as an investment adviser with the SEC, including our first brochure, to provide new and prospective investors with clearly written, meaningful, current disclosure of our business practices, conflicts of interest and background of our advisory personnel. This brochure contains no material changes since we filed our last annual update on February 14, 2012. We encourage all recipients of this brochure to read it carefully in its entirety.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	1
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	12
Item 10 – Other Financial Industry Activities and Affiliations	12
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Item 12 – Brokerage Practices	17
Item 13 – Review of Accounts.....	19
Item 14 – Client Referrals and Other Compensation.....	19
Item 15 – Custody	20
Item 16 – Investment Discretion.....	20
Item 17 – Voting Client Securities.....	20
Item 18 – Financial Information	21

Item 4 – Advisory Business

Ownership

KSL Advisors, LLC d/b/a KSL Capital Partners (“**KSL Advisors**”) was founded in 2005 by Michael S. Shannon and Eric C. Resnick, who currently serve as the firm’s Managing Directors. KSL Advisors is controlled by Mr. Shannon and Mr. Resnick, and owned by Mr. Shannon and Mr. Resnick along with certain of the firm’s other principals and employees that own an interest indirectly through KSL Associates, LLC, an affiliate of KSL Advisors. The general partner of each of the Funds (as defined below) is owned by Mr. Shannon and Mr. Resnick along with such other principals and employees.

Nature of Investments; Types of Advisory Services

KSL Advisors provides investment advisory and other services through affiliated entities (“**Affiliates**”, and together with KSL Advisors, “**KSL**,” “**we**,” or “**us**”) to certain private equity funds sponsored and managed by KSL (each a “**Fund**” and collectively, the “**Funds**”). KSL specializes in investing in businesses in five key sectors of the travel and leisure industry: hospitality, recreation, clubs, travel services and real estate. We typically pursue transactions where we control the investment through whole ownership, joint venture or participating debt or preferred equity investments. Our advisory services are typically not specifically tailored to individual needs of outside investors, and such investors typically may not impose restrictions on types of investments.

As part of our activities on behalf of the Funds, we:

- Originate, recommend, structure, and identify sources of capital;
- Monitor, evaluate, and make recommendations regarding the timing and disposition of investments; and
- Provide other related services.

Wrap Fee Programs

We do not participate as manager in any wrap fee programs.

Assets Under Management

As of December 31, 2012, we had approximately \$3,320,100,000 in regulatory assets under management for which we provide advice on a discretionary basis. As of December 31, 2012, we did not have any assets managed on a non-discretionary basis.

Item 5 – Fees and Compensation

For services provided to each Fund, the Fund pays us a management fee (a percentage of assets under management, calculated either as a percentage of commitments or invested capital), a performance-based fee (a percentage of the net proceeds from divestment of portfolio holdings,

described in Item 6 below). In addition, on occasion the Funds may pay directly, or indirectly through portfolio companies, transaction fees and monitoring fees as more fully discussed below. Performance-based fees are charged in accordance with the requirements of Section 205(a)(1) and Rule 205-3 under the Investment Advisers Act of 1940, as amended (“**Advisers Act**”), to the extent applicable. For a discussion of performance-based fees, see Item 6, below.

Management Fees

Funds pay us a management fee of up to the amount specified in each Fund’s offering materials. Currently the management fee payable by a Fund is between 1% and 1.9408% per annum.

During the investment period, the management fee is generally based on the total capital commitments of such Fund’s limited partners. Thereafter, the management fee is computed based on the limited partners’ funded commitments that remain invested in portfolio companies.

In the past, for the investment vehicle commonly known as KSL Capital Partners II, L.P. and its parallel funds (“**Fund II**”), we created a supplemental fund that was permitted to make additional investments in the same assets held by Fund II (the “**Supplemental Fund**”). Investors in the Supplemental Fund included investors in Fund II, as well as additional investors. The Supplemental Fund pays a management fee based only on capital actually invested in portfolio companies. Investors in the Supplemental Fund that were also investors in Fund II were generally charged management fees lower than those available to Supplemental Fund investors that were not also investors in Fund II. We do not currently anticipate creating any additional supplemental funds.

From time to time, we may, at our sole discretion, permit certain strategic investors (which may include existing Fund investors, consultants, lenders, or unaffiliated third parties) (“**Co-Investors**”) to invest in a potential investment alongside a Fund through a co-investment vehicle (“**Co-Investment Vehicle**”). The constituent documents of the Funds generally require that any Co-Investment Vehicles we advise may not pay us management fees that are more favorable to us than those paid by the Funds, and the Co-Investment Vehicles pay a management fee at a rate that is equal to or lower than the rate charged by Fund II on the amount of capital actually invested in the applicable portfolio company. In the event that additional capital investment is called for after an initial investment is made alongside a Fund, Co-Investors have the right (but not the obligation) to invest additional capital through their Co-Investment Vehicle *pro rata* with the Fund (or else be diluted), and the management fee paid would increase correspondingly.

To the extent that we, our principals and employees, and their respective family and friends, are Fund investors, they may, at our sole discretion, pay reduced management fees or none at all. The existence of these arrangements is disclosed in the offering documents and limited partnership agreements of the relevant Funds.

The management fee is accrued and payable quarterly in advance and is payable without regard to the overall success or income earned by a Fund. Installments of the management fee payable for any period other than a full calendar quarter are adjusted on a *pro rata* basis according to the actual number of days in such period, and in the case of the last period in which the management fee is paid, we will refund the amount of management fees allocable to that portion of the quarter

which is subsequent to the term of the applicable Fund. Generally, management fees are not negotiable after the final closing of a Fund. However, at the time when a new Fund is being created, we negotiate with significant prospective investors the management fees that will be charged to that Fund, as well as other material terms applicable to the Fund.

Management fees payable to KSL are reduced in whole or in part by certain other compensation received by KSL, including transaction and monitoring fees discussed below.

Transaction Fees and Monitoring Fees

We also may receive transaction fees and monitoring fees. The amount of these fees to be paid by the Funds (directly, or indirectly by the Funds' portfolio companies) are determined by us, on a transaction by transaction basis, subject to the terms set forth in each Fund's offering materials and other constituent documents. Transaction fees are generally calculated based on the total enterprise value of the portfolio company involved in the transaction, while monitoring fees are determined based on the complexity of the transaction.

Both of these types of fees are often paid by the portfolio companies as compensation for certain consulting services we provide to them about their businesses, such as assistance with development and marketing or with obtaining financing to expand to their businesses. When fees are paid by a Fund's portfolio companies, they are indirectly paid by the Fund.

Transaction fees are payable upon consummation of a portfolio transaction while monitoring fees are generally payable quarterly in advance. The management fees received are offset by a portion of any transaction fees and monitoring fees we receive. The amount of this offset differs from Fund to Fund, but is currently no less than 80% for any Fund and is 100% for our most current Fund.

Other Fees

In addition, because our principals and employees may invest in certain of the Funds, our principals and employees participate alongside other investors in the investments of those Funds *pro rata* in accordance with our capital accounts in the Fund.

Additional Expenses

From time-to-time, we may make control-oriented investments in publicly traded debt and equity securities on behalf of the Funds in accordance with the Fund's limited partnership agreements, which generally limit us from making open market purchases on behalf of the Funds except for securities purchases in connection with a contemplated privately negotiated transaction or in an amount not to exceed 10% of aggregate capital commitments to any Fund. To the extent we incur any expenses related to purchasing such securities, including brokerage or similar commissions, such expenses are typically capitalized as part of the acquisition costs of the portfolio investments. In addition, the investment strategy we employ for the Funds may involve expenses related to legal, tax, regulatory, and environmental issues, as well as the costs of other service providers and intermediaries, such as investment banks, that may be involved in the purchase or divestment of Fund portfolio holdings.

Our employees routinely participate in due diligence trips related to prospective investments. The expenses related to these trips may be paid for by the business in which the prospective investment would be made, or may be paid for by us and reimbursed by the applicable Fund.

Our management fees are exclusive of these costs, as well as the transaction fees described above, custodial fees, and other related costs and expenses, including legal, tax and audit expenses and all costs and expenses related to any unconsummated transactions (i.e., broken deal fees), all of which are incurred by the applicable Fund (either directly, or indirectly if the expenses are paid by the Fund's portfolio companies). These fees and expenses are described in greater detail in the relevant Fund's offering materials and constituent documents, but can include, without limitation, the fees, costs and expenses associated with tax advisors, legal counsel, accountants, consultants and other professionals, out of pocket costs in diligencing, negotiating, structuring and disposing of investments, lender costs, deposits and travel expenses (including reimbursement in whole or in part for private air travel). Please refer to Item 12 of this brochure for additional information regarding the factors we consider in selecting broker-dealers and other service providers for transactions, and in determining the reasonableness of their compensation.

KSL Advisors bears all compliance related expenses, including costs associated with filing Forms ADV and PF, and costs associated with providing reports to investors.

Related Issues and Conflicts:

Transaction Fees. Because we may receive transaction fees based on investments and dispositions of the Funds' portfolio holdings, we may have an incentive to make investments, or to divest portfolio holdings, under circumstances that are not in the best interest of a Fund or its investors. However, because these transaction fees are based on the total enterprise value of the portfolio holding being purchased or sold, we believe that our interests generally align with those of the investors in the Fund. The greater the proceeds of the sale of a portfolio holding, the greater the gains by the Fund, and the greater transaction fee we receive. Moreover, at least 80% of any transaction fee is used to offset future management fees we would otherwise receive.

Monitoring Fees. From time to time, in connection with certain complex Fund investments, we enter into agreements directly with the Funds' portfolio companies to provide assistance with the management of the company. In exchange for these services, we are paid monitoring fees by the portfolio company, an indirect expense of the Funds. As part of these services, one or more of our principals may be selected to serve on the board of directors (or equivalent body) of the portfolio company. While the interests of the Funds and the portfolio companies they invest in are generally aligned, under very limited circumstances a conflict of interest — or the perception of a conflict — may arise between the interests of the portfolio company and our interests (or the interests of the Fund). For example, we may be called upon to advise the portfolio company regarding a sale, acquisition, merger or similar transaction involving the portfolio company or its assets. Whenever we determine that such a conflict exists, or may be perceived to exist, we bring the issue to the attention of the relevant Fund's limited partner advisory committee ("LPAC," composed of certain unaffiliated Fund investors) for its approval.

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

As noted in Item 5 above, the Funds pay us certain performance-based fees in the form of carried interest — typically 20% of the profits generated by (1) the net proceeds from the divestment of Fund portfolio holdings and (2) cash receipts from dividends, interest, and other distributions of portfolio holdings. Our receipt of performance-based fees is subject to certain limitations set forth in the constituent documents of each Fund, which generally require that Fund investors must first receive a return of invested capital plus a preferred return on portfolio holdings that have been divested or written off and reimbursement of fees and expenses paid by the Funds. To the extent that we, our principals and employees, and their respective family and friends are Fund investors, they may, at our sole discretion, pay reduced performance-based fees or none at all.

All performance-based fees are calculated and paid in accordance with Section 205(a)(1) of the Advisers Act and the exemptions set forth in Rule 205-3. KSL's performance-based fees and other compensation payable to us and our Funds' general partners are established by KSL at the time of the formation of the relevant vehicle and may be subject to negotiation at KSL's discretion.

Our receipt of performance-based fees may motivate us to make more speculative investments on behalf of a Fund than we would otherwise make. However, this risk is mitigated by the requirement that Fund investors receive a return of invested capital plus a preferred return, which creates an incentive for us to balance risk and reward potential as any losses will need to be regained before performance-based fees are received.

Because all of the Funds pay us roughly equivalent performance-based fee rates and not another type of fee such as hourly or flat fee or asset based fee, the risk of side-by-side account management conflicts of interest is mitigated. This potential conflict is also mitigated by our Funds' investment cycle. At any given time, only one Fund (and possibly a related Supplemental Fund) will be in the "investment" phase. Our Funds generally follow a cycle of (1) capital sourcing, (2) investment and (3) disposition of portfolio holdings. Typically, we do not begin investments for a new Fund until all other existing Funds (other than a related Supplemental Fund, if one exists) have substantially completed their investment phase. As such, we rarely face conflicts that would involve differing treatment of different Fund clients.

However, we recognize that conflicts related to side-by-side management may exist for other reasons. For example, as noted in Item 5 above, we previously created the Supplemental Fund to invest alongside Fund II on certain large investment opportunities. To the extent that there is a limited investment opportunity, we, on a fully disclosed basis, allocate the investment opportunity first to Fund II before any allocation is made to the Supplemental Fund. In addition, except under certain very limited circumstances, the Supplemental Fund may not make any investment unless Fund II is also investing.

Co-Investment Vehicles. As noted above in Item 5, we may permit Co-Investors to invest alongside a Fund through a Co-Investment Vehicle. The constituent documents of the Funds generally require that the Co-Investment Vehicles may not pay us performance-based fees that are more favorable to us than those paid by the Funds.

Alternative Investment Vehicles. From time to time, certain Fund investors, for legal, regulatory, or tax reasons, would be disadvantaged if the Fund in which they are invested were to invest directly in certain portfolio investments. If a Fund investor will be so disadvantaged, we may, with respect to those specific investments, agree to permit those investors to invest alongside the Fund, on the same terms as the Fund, through an alternative investment vehicle (“AIV”). Investors who invest through an AIV pay the same portion of Fund fees and expenses as they would have had they invested through the Fund, and their capital commitment to the Fund is reduced by the amount of assets invested through the AIV(s).

Parallel Funds. For each Fund, we have organized one or more parallel funds (the “Parallel Funds”) for legal, regulatory or tax reasons. The Parallel Funds generally invest on a side by side basis with the Fund pro rata in all applicable Fund investments. The terms of each Parallel Fund can vary from those of the Fund to which such Parallel Fund relates and each such Parallel Fund can contain certain special economic and/or other terms. Certain of these changes are driven by laws, rules, regulations and policies applicable to certain investors which generally are not applicable to other investors.

Item 7 – Types of Clients

As noted in Item 4 above, we provide portfolio management services to the Funds (which may be organized as domestic or foreign partnerships, corporations, incorporated or unincorporated entities, or other similar entities) and to a select number of Co-Investment Vehicles. The Funds and Co-Investment Vehicles generally limit their respective investors to persons who are both “accredited investors” as defined in the Securities Act of 1933, as amended (the “**Securities Act**”), “qualified clients” as defined in the Advisers Act and, in the case of those Funds that rely on the exemption from registration under the Investment Company Act of 1940, as amended, provided by section 3(c)(7) thereof, “qualified purchasers” as defined therein. The Funds typically require capital commitments from each limited partner of at least \$10 million, although a Fund’s constituent documents may, however, allow for exceptions under certain circumstances, and the Funds have previously, in certain instances, permitted limited partners to make capital contributions of less than \$10 million. The current Funds are no longer accepting new commitments from investors.

Generally, the Funds’ investment advisory contracts may be terminated only if a Fund’s general partner (our Affiliate) has been removed.

Investors in the Funds include a broad range of U.S. and non-U.S. investors, including, among others, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs and other U.S. institutions. In addition, as previously mentioned, employees and other persons associated with KSL Advisors and/or its Affiliates are investors in the Funds. Co-investment opportunities are given to strategic limited partners when additional capital is necessary for a Fund investment, taking into account the applicable Partnership’s investment limitations, the size of the investment opportunity and the demand among potential co-investors.

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

Strategy/Analysis

We specialize in investing in businesses in the travel and leisure industry. In doing so, we seek to identify under-managed and under-capitalized businesses where we believe that we can improve the financial performance of the business over time, and ultimately sell the business for a profit. The form of the Funds' investments varies, but may include methods such as:

- Purchase of privately held securities;
- Asset purchase; or
- Purchase of secured debt.

In evaluating potential investments, we perform extensive due diligence. We typically evaluate potential investments with respect to financial, accounting, tax, legal, market, competitor, employee, environment, engineering, customer, and supplier issues, as well as other issues that may be particular to the proposed transaction.

After making an investment, we utilize an operationally intensive approach, focusing on fundamental business improvements rather than financial engineering, to drive profitability and investment returns. We generally structure transactions to put the Fund making the investment in a position to control the fundamental business decisions of the operating companies held as portfolio investments, whether through control of the portfolio business's board of directors (or similar governing body) or through some other method of influencing management decisions.

In limited circumstances, we may invest Fund assets in publicly traded securities. We may also use derivative instruments for hedging purposes in connection with the acquisition, holding, or disposition of Fund portfolio companies.

We may use some or all of these techniques, and we reserve the right to depart from or modify the approaches described here.

Risk Factors

All investing involves risk of loss. Current and prospective KSL investors are cautioned that investments in the Funds and Co-Investments Vehicles involve risk, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear those risks. There can be no assurance that any investment, investment program or portfolio will achieve its stated objectives. Some of the primary risks (described more fully in each Fund's offering documents) involved in the investment strategy we employ for the Funds include:

Reliance on the General Partners and KSL Advisors. The Funds' respective general partners and KSL Advisors have exclusive responsibility for each Fund's activities, and limited partners as such are not able to make investment or other decisions in the management of the Fund. The success of any Fund depends on our skill and ability to identify and consummate suitable investments, to improve the operating performance of investments and to dispose of investments at a profit. The loss of the services of one or more of our investment professionals, particularly

Mr. Shannon or Mr. Resnick, could have an adverse impact on a Fund's ability to realize its investment objectives.

Leverage. We may invest Fund assets in portfolio companies that employ significant leverage, which increases the risk of loss to those investments, particularly during economic downturns. A leveraged company may be subject to restrictive covenants imposed by lenders restricting its activity, or may be limited in making strategic acquisitions or obtaining additional financing, and will have increased exposure to adverse economic conditions. Securities acquired by the Funds may be the most junior in what may be a complex capital structure, and thus subject to the greatest risk of loss in the case of the issuers financial difficulty, or if an event of default occurs under the terms of the relevant financing and a lender decides to enforce its creditor rights. KSL's ability to achieve attractive rates of return will depend on its ability to access sufficient sources of indebtedness at attractive rates. An increase in either interest rates or risk spreads demanded by leverage providers could make it more expensive to finance investments by the Funds and may make it more difficult to compete for new investments with other potential buyers who have a lower cost of capital.

Concentration of Investments in a Single Industry; Risks Inherent in Travel and Leisure Assets. Pursuant to our investment strategy, substantially all of the Funds' portfolio holdings will be involved in travel and leisure businesses. Concentration in one industry involves risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The travel and leisure industry is subject to factors including cyclicalities, changing macro-economic conditions in the United States and globally, intense competition, susceptibility to natural or man-made disasters, such as fires, earthquakes or floods, large capital requirements and the introduction of new, competing resorts, properties or other leisure activities.

The Funds' portfolio companies will compete in this volatile environment, and instability or an overall decline within the travel and leisure sector will not be balanced by investments in other industries not so affected. In addition, travel and leisure businesses may be highly dependent on the perceived and actual safety of air travel and the frequency of air travel in the United States and abroad. We expect that portfolio companies will be highly dependent on customers traveling to specific destinations via air travel. Moreover, a decline in regional, national or international economic conditions, unusual weather patterns or any other factors that cause a decline in potential customers' discretionary income could materially adversely affect the performance of Funds' portfolio companies. The recent global economic downturn has adversely affected many businesses in the travel and leisure industry and may continue to do so for the foreseeable future.

Availability of Suitable Investment Opportunities. The success of our strategy will depend on the ability of KSL to identify appropriate investment opportunities and to acquire these investments. Investments in travel and leisure business are highly competitive. We compete for investments with operating companies, financial institutions, institutional investors and other investment funds, which competition may adversely impact the availability of investments and the terms upon which they are effected and exited.

Real Estate Risks Generally. Our strategy generally involves investments that are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and

assets. These risks include, but are not limited to, the burdens of ownership of real property, general and local economic conditions, the supply and demand for properties, energy and supply shortages, fluctuations in the average occupancy and room rates for hotel properties, the financial resources of prospective hotel guests, changes in building, environmental and other laws and/or regulations, natural disasters, changes in tax rates, changes in interest rates and the availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, uninsured or uninsurable casualties, acts of God, terrorist attacks and war and other factors that are beyond our control. There can be no assurance that there will be a ready market for resale of investments because investments will generally not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by a Fund.

Investment in Troubled Assets. As part of our investment strategy, we may cause the Funds to make substantial investments in nonperforming, underperforming or other troubled assets or under-capitalized companies which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may result in a loss of some or all of a Fund's investment.

Some of the assets that we purchase for the Funds were originated by financial institutions that are insolvent, are in serious financial difficulty, or are no longer in existence. As a result, it is possible that these assets were originated under less than optimal standards, and there may be limited recourse against the selling institution. In addition, the value of these assets may be adversely affected by the standards used in servicing or operating the assets.

Certain investments may become subject to compromise and/or discharge under the U.S. Bankruptcy Code. Investments in entities, which later file for relief as debtors in proceedings under Chapter 11 of the U.S. Bankruptcy Code may, in certain circumstances, be subject to litigation, which could further impair the value of the investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds (which could include distributions by a Fund to investors) may be reclaimed in the course of bankruptcy proceedings if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment (or the equivalent under the laws of certain jurisdictions). Bankruptcy laws may delay the ability of the Funds to realize on collateral for loan positions or may adversely affect the priority of such loans through doctrines such as equitable subordination. Bankruptcy laws may also result in a restructure of debt without the Fund's consent under the "cramdown" provisions of the bankruptcy laws and may also result in a discharge of all or part of the debt without payment to the Funds. Non-U.S. jurisdictions may present credit issues that are similar to or different from U.S. issues.

Illiquid and Long-Term Investments. Most private equity investments are highly illiquid, and there can be no assurance that a Fund will be able to realize on such investments in a timely manner or at all. Consequently, dispositions of investments may require a lengthy time period or may result in distributions in-kind to investors. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the investment is made.

The Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, the Funds may be contractually prohibited from selling certain securities for a period of time. Even where the Funds hold publicly traded securities, a Fund's position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity in the event that we determine to pursue a different investment or we are unable to acquire control and wish to dispose of or reduce our position by selling shares into the market.

Environmental Liabilities. A Fund's investments may be exposed to substantial risk of loss from environmental claims arising in respect of investments made with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, as well as from occupational safety issues and concerns. Under various federal, state, local and other applicable laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on a Fund's return from such investment. Environmental claims with respect to a specific investment may exceed the value of such investment and, under certain circumstances, subject the other assets of a Fund to such liabilities. In addition, even in cases where a Fund investment is indemnified by the seller against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial ability of the seller to satisfy such indemnities or the ability of such Fund's portfolio company to achieve enforcement of such indemnities for the benefit of the Fund.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, a Fund may be required to make representations about the business, financial affairs and other aspects (such as environmental, property, tax, insurance and litigation) of the investment typical of those made in connection with the sale of any business or assets and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities which will be borne by a Fund, and its limited partners may be required to return amounts distributed to them to pay for such Fund's obligations, including indemnity obligations, subject to certain limitations set forth in such Fund's constituent documents. Furthermore, under the Delaware Revised Uniform Limited Partnership Act (the "**Act**"), each limited partner that receives a distribution in violation of the Act will, under certain circumstances, be obligated to recontribute such distribution to a Fund.

Other Related Procedures and Conflicts:

Valuation of Holdings. We generally value Fund portfolio holdings quarterly, in accordance with each Fund's applicable partnership agreement and our internal valuation policies and procedures.

Our primary objective in the pricing of Fund portfolios is to ensure that prices are recorded at "fair value" on a consistent, transparent, and reasonable basis. We believe that the fair value of Fund portfolio holdings is the price at which a Fund would be able to sell an asset (or transfer a liability) in a hypothetical transaction between market participants. Because Fund portfolio holdings are typically illiquid and unmarketable, our procedures are designed to help us try to determine this "fair value." We may consider a number of factors and use several techniques in valuing illiquid holdings, including:

- Market conditions;
- Purchase price;
- Estimated liquidation value;
- Meaningful third-party transactions in the private market;
- Valuation used in the most recent round of financing for the issuer;
- Application of a multiple to the earnings or "EBITDA" of the issuer's aggregate business(es);
- Value of the issuer's net assets;
- Expected future cash flows (or expected future earnings) from the issuer's aggregate business(es), plus a terminal value of the business(es); and
- The valuation to be used in an anticipated sale of the investment in situations where either (1) we expect that the investment will be divested soon, or (2) the issuer will go public soon (but in either case, only if the pricing aspects of the transaction have been substantially agreed upon).

We attempt to use valuation techniques that, in our best judgment, are most appropriate under the circumstances, and for which sufficient data is available.

Management Team. The day-to-day operations of each portfolio investment of the Funds are the responsibility of such company's management team or, in the case of hotel investments, KSL Resorts, an affiliated hotel management company, or another independent, third party hotel management company. Although we will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to operate the investment successfully or implement any planned operational improvements.

Due Diligence Trips. As described in Item 5 under "Additional Expenses", our employees may routinely go on due diligence trips related to a prospective investment, and the expenses related to these trips may be paid for by the business in which the prospective investment would be

made (or they may be paid for by us and reimbursed by the applicable Fund). To the extent we believe it appropriate, we may then invest Fund assets in these companies, which may present the appearance of or an actual conflict of interest.

Item 9 – Disciplinary Information

We are required to disclose to you if we have any legal or disciplinary events involving the firm or our members, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. As of the date of this brochure, we have no disciplinary events required to be disclosed.

Item 10 – Other Financial Industry Activities and Affiliations

KSL is not actively engaged in a business other than giving investment advice to its clients (the Funds and Co-Investment Vehicles) and managing the portfolio companies owned by its Funds. Neither KSL nor any of its management persons are registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or associated person of the foregoing. KSL has filed as an exempt commodity pool operator in response to certain CFTC rule amendments.

As noted in Item 4 above, certain of our Affiliates act as general partners to the Funds that we advise. The full list of these Affiliates and the Funds they serve as general partners for is available on our Form ADV Part 1, Schedule D, Items 7.A and 7.B. Please see www.adviserinfo.sec.gov.

Other Related Conflicts:

Except as set forth below in this Item 10, KSL has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds, Co-Investment Vehicles or their investors.

KSL has and will continue to maintain and develop relationships with professionals who provide services, including: legal, accounting, banking, tax preparation, insurance brokerage, and other services. None of the above relationships create a material conflict of interest with any of KSL's clients or its investors.

From time to time, KSL receives training, information, promotional material, meals or gifts from vendors and others with whom it may do business or to whom it may make referrals. At no time will KSL accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider.

Fees Payable to Affiliated Service Providers. The companies held in the Funds' portfolios may pay fees to affiliated service providers in connection with the operation of their business (e.g., fees to operate or develop a business, which are distinct from fees paid in connection with

investment advisory services provided by us to the Fund). These fees may include, for example, fees paid to KSL Resorts, our affiliated hotel management company, or other operating businesses in which we or an affiliated service provider have an interest that may provide services relating to management, construction, leasing, development, and other property management services. These fees are *not* incurred for investment management services; rather, they relate to the day-to-day operations of the portfolio companies (“**Operations Management**”).

Fees paid to our affiliated service providers by Fund portfolio companies for Operations Management will not reduce or offset any fees we receive. We have a conflict of interest in selecting (or influencing a portfolio company to select) any of our Affiliates to provide Operations Management services. The Funds’ constituent documents generally provide that our Affiliates have the option (but not the obligation) to provide Operations Management to Fund portfolio companies on terms *no more favorable* to the Affiliates than those specified. A Fund always retains the ability to cause its portfolio company to terminate the Operations Management services provided by our affiliated service providers.

These terms are determined at the time a Fund is created, based on (1) our review of the terms used in third party contracts for similar services, and (2) discussions with certain significant prospective investors. The constituent documents of the Funds generally require us to obtain consent from the Fund’s LPAC or an unaffiliated third party investor that owns at least 50% of the outstanding equity interests in the portfolio company in the event of any material deviation from these pre-set terms. Agreements with portfolio companies for Operations Management are generally automatically terminated upon divestment of the portfolio company from the Fund. We also periodically review terms used in comparable third party contracts to help ensure that the terms set at the time a Fund was created remain reasonable over time. In addition, customary group services and reimbursable expenses are allocated on a fair and equitable basis (without profit or markup) on a property-by-property basis across all similar properties, unless the applicable Fund’s LPAC otherwise approves. All other expenses are allocated investment-by-investment on a fair and equitable basis (without profit or markup) based on the gross revenues of the underlying property, unless the applicable Fund’s LPAC otherwise approves.

Each year, we submit to each Fund’s LPAC a breakdown of the expenses associated with portfolio companies that have Operations Management agreements with our Affiliates, as compared to the expenses associated with non-portfolio companies for whom our Affiliates provide Operations Management services. To the extent that the Operations Management services provided to Fund portfolio companies would result in a profit for our principals, the Funds’ constituent documents require that such profit must be reinvested in our Affiliates’ Operations Management business, and thus indirectly benefits the Fund portfolio companies which helps limit any potential conflict of interest resulting from charging fees to the portfolio management companies for providing these services.

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

Code of Ethics. KSL has adopted a Code of Ethics (the “**Code of Ethics**”) in accordance with the requirements of Rule 204A-1 of the Advisers Act. The Code of Ethics is applicable to KSL Advisors as well as each of the Affiliates.

The policies and procedures set forth in the Code of Ethics recognize that as an investment adviser, KSL and its employees have a duty to place the interests of the Funds ahead of their own, and an obligation to address and mitigate conflicts of interest and the appearance of any conflicts of interest. The Code of Ethics sets out standards of business and personal conduct for each employee and our policies regarding confidentiality of client information and personal trading and, reporting of personal securities transactions, among other things.

In rare cases, KSL's business may provide KSL and its employees with access to material nonpublic ("insider") information. The Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is to be treated.

All employees must acknowledge in writing the terms of the Code of Ethics initially upon hire and thereafter annually.

The Code of Ethics incorporates the following principles, which require employees to:

- perform their duties conscientiously, honestly and ethically;
- comply with all applicable federal securities laws;
- avoid potential conflicts of interest;
- preserve the confidentiality of information they may obtain in the course of KSL's business and use such information properly and not in any way adverse to the interests of the Funds, subject to the legality of using such information; and
- promptly and affirmatively report any violations of the Code of Ethics.

Employees of KSL who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Personnel are also required to promptly report any violations of the code of ethics of which they become aware.

We will provide a copy of our Code of Ethics to any existing or prospective investors upon request to KSL's Chief Compliance Officer, Kevin Rohnstock (the "CCO"), at (720) 284-6400.

Personal Trading. The Code of Ethics places restrictions on personal trades by employees. Employees are restricted from purchasing and selling any security in public hospitality and leisure companies, except in certain limited circumstances. Employees are prohibited from trading in securities of any company while in possession of material, non-public information. Employees are required to disclose to the CCO annually any account in which they have direct or indirect ownership, including accounts over which they do not have investment discretion. Employees must also disclose to the CCO on a quarterly basis their reportable securities holdings and transactions in accounts in which they have direct or indirect beneficial ownership and over which they have investment discretion. Employees are also required to pre-clear with the CCO certain reportable securities transactions including, without limitation, with respect to, initial public offers and certain limited offerings. As such, provided that they comply with the Code of Ethics, our employees are permitted to engage in certain personal securities transactions, including investing in the Funds.

Participation or Interest in Client Transactions. Please refer to Item 10 above regarding fees paid to Affiliates.

KSL and certain employees and affiliates of KSL may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. A Fund or its general partner, as applicable, may exempt such person from all or a portion of the management fee or carried interest. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Principal Trades. KSL does not affect any principal securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. KSL does not engage in these practices.

Cross Trades. We may effect “cross” transactions between Funds, if permitted by applicable law. In a “cross” transaction, one Fund will purchase investments held by another Fund. We will only effect these transactions:

- (i) when we deem the transaction to be in the best interests of both Funds; and
- (ii) if the cross transaction is permitted under the terms of the constituent documents of both Funds involved.

We have only effected cross transactions in instances where the Supplemental Fund participated in an investment. Consistent with the Funds’ constituent documents, we generally only effectuate future cross transactions with the prior approval of each Fund’s applicable LPAC. See Item 11 for a discussion of KSL’s agency cross transactions.

Conflicts of Interest:

The offering documents for each Fund typically includes a description of what KSL believes to be the most significant conflict of interest associated with an investment in any Fund. Some of these conflicts are summarized below, however, this summary does not attempt to describe all of the conflicts of interest associated with an investment in the Funds. Investors should carefully consider the conflicts of interest described herein and in KSL’s offering documents prior to investing in a Fund.

In the event that KSL or its Affiliates encounter what it determines to be an actual conflict of interest in connection with a Fund, Co-Investment Vehicle or portfolio company investment, KSL may take such actions as may be necessary or appropriate, within the context of such Fund’s limited partnership agreement, to ameliorate the conflict. These actions may include disposing of the asset giving rise to the conflict or bringing the matter before the relevant Fund’s LPAC. There can be no assurance that all conflicts of interest will be successfully resolved.

Side-by-Side Management. We will generally pursue all appropriate investment opportunities through our Funds, subject to certain limited exceptions. We may, from time to time, require additional capital in order to complete a portfolio company transaction and may reach out to select investors for such additional capital. These Co-Investors do not pay a management fee that is more favorable to KSL than those paid by the Funds. In the past, we also created a Supplemental Fund that was permitted to make additional investments in the same types of assets as Fund II; however, we do not currently anticipate creating additional supplemental funds.

Related Investors. As discussed above, certain KSL principals and employees are also investors in the Funds through the Funds' general partners. However, because of the nature of its business, the participation of KSL employees in the Funds will not interfere with the making or implementing of decisions that are in the best interest of limited partners. KSL principals and employees share in the same deals as the limited partners of the Funds and receive distributions based on their pro rata commitment in the general partner.

Serving on the Board of Directors. KSL employees may serve on the boards of Fund portfolio companies. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of a Fund, in general; however, as the Funds will generally be significant shareholders of such companies, it is expected that such interest will generally be aligned.

Tax Considerations. Each Fund's limited partners and the Co-Investment Vehicles include persons or entities resident in various jurisdictions, including the United States and other countries, which may have conflicting investment, tax and other interests with respect to their investments with KSL. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of disposition of investments. Such structuring of portfolio companies, including the use of AIVs, may result in different after-tax returns being realized by different limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by KSL that may be more beneficial for one limited partner than another limited partner, especially with respect to limited partners' individual tax situations.

Side Letters. We sometimes enter into agreements with prospective investors that allow for different terms of investment in a Fund than the terms applicable to other Fund investors, including terms related to information rights, confidentiality obligations, and the structuring of portfolio investments. In general, we will not notify Fund investors when we enter into these agreements.

Disclosure of Portfolio and Other Information. We sometimes provide portfolio holdings information to entities that have been retained by Fund investors to evaluate portfolio risk. We provide this information in our sole discretion, and reserve the right to cease providing information at any time. We make reasonable efforts to preserve the confidentiality of the information we provide, such as by entering into non-disclosure agreements, but we cannot ensure that the entities we provide information to will fulfill their confidentiality obligations.

In the course of conducting due diligence, Fund investors periodically request information pertaining to their investments, and pertaining to us. We may respond to these requests, and may provide information that is not generally made available to other Fund investors. When we provide this information, we do so without an obligation to update any such information provided. However, we endeavor to provide the information requested in the most current form available.

Gifts and Entertainment. Brokers, counterparties, service providers and other third parties with whom we do business occasionally provide gifts and entertainment to our employees. We and our Affiliates may enter into business transactions and relationships on behalf of a Fund with the donors of such gifts and entertainment. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors as service providers for the Funds. To address this conflict, we have adopted policies and procedures to (1) monitor gifts and entertainment given and received by our employees and (2) require preapproval for gifts and entertainment given or received in excess of certain values. We also have policies and procedures in place to help us monitor, and limit, the political contributions that our employees make to public officials and candidates for elected office in accordance with the requirements of Rule 206(4)-5 of the Advisers Act.

Item 12 – Brokerage Practices

General Brokerage Practices

Based on the nature of the investment strategies we employ for the Funds we advise, we generally do not make use of securities broker-dealers in the traditional sense to buy and sell portfolio investments on behalf of the Funds; rather, most Fund investments are made through privately negotiated arrangements. Nonetheless, in implementing transactions for a Fund, we take into account a range of relevant factors when hiring third party service providers or other intermediaries, including:

- General expertise and background
- Stability/solvency of the service provider
- Time required to complete role sought
- Other similar factors
- Type and size of transaction
- Settlement capabilities
- Research services
- Cost of services

On behalf of the Funds (or on behalf of their portfolio companies, if appropriate), we may engage investment banks, securities underwriters, real estate brokers, legal and tax experts, environmental experts, insurance professionals and other service providers. The Funds (or their portfolio companies, as applicable) pay these service providers through commissions or other service fees. We believe that analysis of the value of the services rendered by these service providers involves a number of factors, and that price is not the ultimate factor that determines whether we achieve “best execution” in selecting service providers. Where we pay commissions, they are generally based on the success of the transaction, and judged based on original purchase price and the amount of proceeds ultimately received by the Funds.

Research and Other Soft Dollar Benefits

We do not currently have “soft dollar” arrangements with any broker-dealers.

Brokerage for Client Referrals

Please refer to Item 14 below regarding our practices with respect to capital introduction and similar events sponsored by broker-dealers and other service providers.

Trade Aggregation

Because we typically only trade on behalf of a single Fund at any given time, we generally do not have the opportunity to aggregate the purchase or sale of securities for multiple clients. However, to the extent that we enter into a transaction on behalf of a Fund, a Supplemental Fund, and/or one or more AIVs, the transaction is “aggregated” in that each entity participates in the transaction *pro rata* with its interest. Additionally, as discussed above in Item 5, the Funds may co-invest with third party Co-Investors and such investments may involve risks not present in investments where a Co-Investor is not involved, including the possibility that a Co-Investor may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the Funds’ investment objectives. In addition, there may be a limited amount of securities available for investing. Thus, the Funds may receive a limited offering due to the presence of Co-Investors investing with the Funds.

Other Brokerage Practices, Issues, and Conflicts:

Trade Errors. We have established policies and procedures regarding the handling of trading errors (e.g., the purchase or sale of an investment in the wrong amount, or contrary to Fund investment guidelines). Pursuant to these policies and procedures, we try to correct errors as soon as practicable after discovery to ensure that Funds do not incur a loss. Where trading errors result in gains for a Fund, the Fund is credited with such gains. On the other hand, if a trading error results in a loss, we make Funds whole by reversing out the trade at our own expense.

Transactions with Fund Investors. We and our Affiliates sometimes enter into transactions with certain Fund investors such as, for example, co-investment opportunities or directed debt purchases. The terms of these transactions are negotiated on an arm’s-length basis; however, we and our Affiliates are subject to a conflict of interest when determining such terms because we may benefit from retaining such investors’ investment in our Funds.

Allocation of Our Time and Resources and Investment Opportunities. Our principals are required to devote substantially all of their business time to the affairs of the KSL and the Funds. Generally, we are not subject to specific obligations or requirements concerning the allocation of our time, efforts, resources, or investment opportunities to any particular Fund. Our principals devote only such portion of their time to the affairs of each Fund as they in good faith consider necessary for the proper performance of their duties.

Complex Institutional Relationships. Throughout Item 12, and elsewhere in this brochure, we disclose conflicts of interest arising out of our and our Affiliates’ relationships with counterparties and service providers. These conflicts may be exacerbated to the extent that we

and our Affiliates have multiple relationships, involving a variety of transactional work with the same or related entities. Because of the number and nature of these relationships, conflicts of interest that arise in connection with any one transaction or relationship can be compounded when many different transactions and relationships develop at the same time.

Item 13 – Review of Accounts

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly our review of them is not directed toward a short-term decision to dispose of securities. However, KSL closely monitors the portfolio companies of its Funds and generally maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews each Fund's portfolios on an on-going basis. The team generally includes principals and other investment professionals of KSL and its Affiliates.

We provide Fund investors with quarterly and annual reports summarizing the performance of portfolio investments over the period. We also provide financial statements and valuations in accordance with ASC 820 (formerly known as FASB Statement 157). Limited partners of each Fund receive unaudited financial statements for the first three quarters of each fiscal year within 45 days of each quarter's close, and an annual audited financial statement within 90 days of calendar year end. Level III assets are fair valued by KSL and represent the bulk of assets held by the Funds. All reports are delivered to investors electronically.

Item 14 – Client Referrals and Other Compensation

Referrals

When we are in the process of raising a new Fund, we typically engage the services of a registered broker-dealer to serve as placement agent for Fund units. We generally pay the placement agent a fixed fee for up to a certain amount of capital raised for the Fund, in addition to a percentage based on the amount of capital raised in excess of that amount, in each case, only with respect to capital raised from investors for which placement agent fees may be paid. We do not consider, in selecting or recommending broker-dealers, whether we, the Funds or related persons receive client referrals from such broker-dealers or other third parties. Placement agent fees are payable by the Funds and any such fees paid offset the management fee on a dollar-for-dollar basis.

Other Compensation

As described in Item 5 above, the transaction fees and monitoring fees we receive are not paid directly by the Funds, but by the portfolio companies they hold. These fees are paid pursuant to separate agreements we enter into with some portfolio companies to provide certain consulting services to the companies that we believe will ultimately enhance the value of the companies and benefit the Funds and their investors. The consulting agreements are separate and distinct from any agreements that our Affiliates have entered into with portfolio companies to provide Operations Management services, as described in Item 10 above.

Other Considerations

We may attend meetings or events sponsored by broker-dealers or other Fund service providers, which potential Fund investors may also attend. These events may create the appearance of using the services of these sponsors in order to be invited to their capital introduction programs. While it is possible that we may place brokerage or other transactions with these firms, it is highly unlikely that we would be introduced to Fund investors at these events and in no event are we obligated to use the service providers that sponsor these events in order to be invited or included. We do not pay to participate in these programs and we do not cause Funds to pay higher commissions or other transaction costs in connection with these programs or services (although Funds will not necessarily pay the lowest possible fee in connection with any particular transaction or service).

Item 15 – Custody

We are deemed to have custody of the Funds' assets because of our affiliation with each Fund's general partner. As permitted by Rule 206(4)-2 of the Advisers Act, we provide such Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant and assets of the Funds are held by Qualified Custodians, as applicable.

Item 16 – Investment Discretion

We generally receive and exercise complete discretionary authority to manage investments on behalf of the Funds. We typically assume this authority through a power of attorney or contract provision granted or entered into by, or through the constituent documents of, a Fund (or its general partner).

The terms upon which KSL serves as an investment manager of a Fund are established at the time each Fund is established and are generally set out in the advisory agreement and/or limited partnership agreement or other governing document entered into by KSL with respect to the relevant Fund and disclosed in the offering documents for such Fund, as applicable. KSL's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

To become a limited partner in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Once a limited partner executes these documents, we are not required to contact a limited partner prior to transacting any business.

Item 17 – Voting Client Securities

We have adopted proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. Under our proxy policies, we commit to exercising proxy voting discretion consistent with our fiduciary duty to the Funds and with any revised procedures that are developed to address voting of proxies in the event that the Funds ever come to hold securities for which a proxy vote may be required. Pursuant to this policy, we will generally vote in accordance with management's recommendations unless KSL determines that voting in such a manner is in conflict with the best

interests of its limited partners. In these cases, KSL will evaluate and vote the proxies on a case-by-case basis. Our principals may also sit on the boards of portfolio companies to which we provide Operations Management and consulting services and, as such, may exercise authority with respect to various issues faced by the portfolio companies. As noted in Item 5, above and elsewhere, to the extent that we face any real or perceived conflicts of interest in voting on these matters, we bring the issue to the attention of the relevant Fund's LPAC for its approval. In general, we are not required to honor limited partners' requests that we vote in a particular way on any specific proposal.

Current and prospective investors may request a copy of our proxy policy and the proxy voting record relating to the Fund in which they are an investor by contacting us at the address or telephone number listed on the cover page of this brochure. Investors may also obtain information from us about how we voted any proxies on behalf of any Fund.

Item 18 – Financial Information

As of the date of this brochure, there exist no financial conditions that we are aware of that would be reasonably likely to impair our ability to meet our contractual commitments to clients.