

**PART 2A OF FORM ADV -- INVESTMENT ADVISER BROCHURE**

**AKKR FUND II MANAGEMENT COMPANY, LP**

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**February 14, 2012**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of AKKR Fund II Management Company, LP (“AKKR Management II”). If you have any questions about the contents of this Brochure, please contact us at (650) 289-2460. 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 authority.**

AKKR Management II is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

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

## **MATERIAL CHANGES**

AKKR Management II is a newly registered investment adviser and this is its initial Brochure. For future Brochures, this page will describe any material changes made since the previous Brochure.

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## ADVISORY BUSINESS

Accel-KKR is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with AKKR Management II (collectively, “**AKKR**”). AKKR commenced operations in February 2000.

AKKR Management II, a Delaware limited partnership and a registered investment adviser, provides investment advisory services to private investment funds. AKKR Management II commenced operations in May 2006.

The following are the affiliated advisers of AKKR Management II (collectively with AKKR Management II, the “**Advisers**”):

- AKKR Fund III Management Company, LP (“**AKKR Management III**”);
- AKKR Fund IV Management Company, LP (“**AKKR Management IV**”); and
- AKKR Structured Capital Management Company, LP (“**AKKR SC Management**”).

The Advisers’ clients include the following (collectively the “**Funds**,” and together with any future private investment fund to which AKKR or its affiliates provide investment advisory services, “**Private Investment Funds**”):

### *Private Equity / Venture Capital Funds*

- Accel-KKR Company LLC (“**Fund I**”);
- Accel-KKR Capital Partners II, LP (“**Fund II**”);
- Accel-KKR Capital Partners III, LP. (“**Fund III**”); and
- Accel-KKR Capital Partners IV, LP (“**Fund IV**,” and together with Fund I, Fund II and Fund III, the “**PE/VC Funds**”).

### *Structured Capital Funds*

- Accel-KKR Structured Capital Partners, LP (the “**Structured Capital Fund**”).

The Advisers each serve as general partner to a Fund and have the authority to make the investment decisions for the Funds to which they provide advisory services. AKKR Management II also serves as the management company to Fund I pursuant to a management agreement and has full authority to make all investment decisions on behalf of Fund I. Each Adviser is registered under the Advisers Act pursuant to AKKR Management II’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers which operate as a single advisory business and are under common control. All advisory employees of AKKR are employed through AKKR Management II.

AKKR SC Management also serves as the general partner to Accel-KKR California Co-Invest, LP, a Delaware limited partnership (“**California Co-Invest**”). California Co-Invest was formed to invest on side-by-side basis with the Structured Capital Fund in certain companies that are headquartered in California or otherwise conduct the majority of their operations or businesses in the state of California. The terms applicable to an investment in California Co-Invest are substantially similar to the terms of an investment in the Structured Capital Fund and accordingly references herein to the activities and terms of California Co-Invest should be read to include the activities and terms of California Co-Invest unless otherwise noted.

The Funds are each private investment funds and, with respect to the PE/VC Funds, generally invest through negotiated transactions in holding companies that in turn own operating entities. The Structured Capital Fund was established to make structured capital investments in private operating companies consisting of investments in structured minority preferred equity or subordinated debt with equity enhancements. Investments of the Funds are made predominantly in non-public companies, although investments in certain public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates may serve on such portfolio companies’ boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds. The Advisers’ services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, monitoring investments and achieving dispositions for such investments, each on a discretionary basis.

The Advisers’ advisory services for Private Investment Funds are further described in the applicable private placement memoranda, if available and limited partnership agreements or operating agreements, as applicable, as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in Private Investment Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment in certain of the Funds due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Fund Agreement. The Private Investment Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Private Investment Fund’s Fund Agreement.

As of February 14, 2012, the Advisers managed approximately \$1,667,800,000 in client assets on a discretionary basis. AKKR Management Company, LLC, a Delaware limited liability company, acts as the general partner of AKKR Management II. AKKR Management II is principally owned by Thomas Barnds, Benjamin Bisconti and Robert Palumbo.

## **FEES AND COMPENSATION**

In general, the Advisers receive a Management Fee (as defined below) and a carried interest in connection with advisory services. With respect to Fund I, AKKR Management II receives the Management Fee directly while the carried interest is received through passive holding companies affiliated with AKKR Management II. The Advisers or other AKKR entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies (e.g., monitoring and other fees) of Funds and a

portion of such additional compensation will offset in part the management fees otherwise payable to the applicable Adviser. Investors in the Funds also bear certain fund expenses.

## **Management Fee**

Fund I pays AKKR Management II a management fee (the “**Management Fee**”) equal to 2.25% on an annual basis of the gross asset value of Fund I, subject to certain adjustments and modifications as described in the management agreement between Fund I and AKKR Management II. Each of the other Funds initially pays the applicable Adviser a Management Fee equal to 2.25% (1.25% with respect to the Structured Capital Fund) on an annual basis of third-party investor capital commitments (“**Commitments**”). With respect to Fund II, Fund III, Fund IV and the Structured Capital Fund, investors participating in a closing after the initial closing bear the Management Fee from the initial closing plus interest. The Management Fee is generally paid semi-annually, 15 days in arrears and in advance with respect to the remainder of the period. Following the occurrence of certain events as specified in the relevant governing agreement of the applicable Fund (each limited partnership agreement or operating agreement, as applicable, of a Fund, a “**Fund Agreement**”), including the end of the applicable investment period, the Management Fee will be reduced in accordance with the terms of such Fund Agreement. The Management Fee is typically payable until all portfolio investments and other assets have been distributed, disposed of or liquidated as described in the relevant Fund Agreement. Installments of the Management Fee payable for any period other than a full Management Fee period are adjusted on pro rata basis according to the actual number of days in such period.

The Management Fee will typically be reduced by a specified portion of the relevant Fund’s share of certain types of fees received by an Adviser or its affiliates from the portfolio companies (such fees, “**Supplemental Fees**”). Such fees may include monitoring, consulting, directors’ and financial advisory fees in connection with supervising the business and financial activities of the portfolio companies received by an Adviser or its affiliates and certain other professional service fees and break-up fees. With respect to Fund II, Fund III, Fund IV and the Structured Capital Fund, to the extent that such an offset credit would reduce the Management Fee for a given Management Fee period below zero, the credit will be carried forward for future application against payable Management Fees. With respect to Fund I, to the extent that the reductions described above would reduce the Management Fee for a given Management Fee period below zero, such credit will not carry forward for reduction of future Management Fees and such credit will expire.

As permitted under the Fund Agreement for each Fund (other than Fund I), the relevant Adviser may waive or agree to reduce the Management Fee that would otherwise be due to the Adviser and such waiver or reduction will reduce the amount of capital the relevant Adviser would otherwise be required to contribute to the applicable Fund. The limited partners of the relevant Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the applicable Adviser in connection with any such waiver or reduction as described above.

## **Carried Interest**

### *Fund I*

In connection with AKKR Management II's advisory services to Fund I, Fund I will be subject to a carried interest equal to 30% of certain profits as more fully described in Fund I's Fund Agreement. The carried interest will be directly received by passive holding companies and the majority of the carried interest will ultimately be distributed to certain affiliates of AKKR Management II. The carried interest distributed in connection with Fund I is subject to a potential giveback at the end of life of Fund I if excess cumulative distributions of the carried interest have been made as described more fully in the Fund Agreement.

### *Fund II, Fund III, Fund IV and Structured Capital Fund*

With respect to Fund II, Fund III, Fund IV and the Structured Capital Fund, each Adviser is entitled to receive a carried interest with respect to the applicable Fund equal to 20% of certain profits in excess of a preferred return, subject to a general partner catch-up, as more fully described in the applicable Fund Agreement. The carried interest distributed to the relevant Adviser is subject to a potential giveback at the end of life of the applicable Fund if such Adviser has received excess cumulative distributions.

## **Other Information**

Each of the Funds (other than Fund I) may exempt certain investors from payment of all or a portion of Management Fees and/or carried interest, including Accel Partners ("Accel"), Kohlberg Kravis Roberts & Co. ("KKR"), the Advisers and their respective managing directors, other employees, partners, affiliates, designees and accounts or trusts established for the benefit of such persons or their families. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Private Investment Funds which co-invest with the applicable Fund.

The Funds and other Private Investment Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Fund Agreement, over the term of the applicable Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

Principals or other employees of AKKR may receive a portion of the Management Fee, carried interest or other compensation received by the Advisers or their affiliates.

In addition to the Management Fee and carried interest payable to the applicable Adviser, each Fund bears certain expenses to the extent not paid by its portfolio companies. Such fees and expenses are set forth in the relevant Fund Agreement and may include, without limitation: legal, auditing, travel, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Fund's financial statements and tax returns; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of any advisory board; and other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any). The Advisers, and not the Funds, bear any expenses incurred in connection with maintaining and operating the Advisers' offices

(such as compensation of their employees, rent, utilities and general office expenses.). Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” the Advisers may receive a carried interest allocation on certain profits in the Funds. The Advisers may also advise certain private investment vehicles formed to allow certain investors to invest in certain portfolio investments made by the Funds. The Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons. The Advisers are generally not obligated to make co-investment opportunities available to any particular investors or limited partners, subject to certain exceptions. Such private investment vehicles might not charge a Management Fee and might not be subject to carried interest at the discretion of the Advisers. This practice could present a conflict of interest because the Advisers may have an incentive to favor investment vehicles for which they receive a performance-based fee over vehicles that do not charge such fees. AKKR’s general policy is to allocate investment opportunities to the Funds first and then permit co-invest vehicles to participate in a particular investment opportunity if there is excess capacity in such investment or for other strategic reasons. In addition, co-invest vehicles generally makes investments in parallel with the applicable Fund on substantially the same terms and conditions.

## **TYPES OF CLIENTS**

The Advisers provide investment advice to Private Investment Funds, including the Funds. Private Investment Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates.

Each Fund generally has a minimum investment of \$5 million for third-party investors, which may be waived by the applicable Adviser. Interests in the Funds are generally offered and sold to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

AKKR is a private investment firm focused on investments in mid-market technology and service companies believed to benefit from AKKR’s investment professionals’ expertise and experience. The Advisers’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and



achieving dispositions for investments. Investments are generally made in non-public companies although investments in public companies are permitted.

The Advisers' investment strategy for the PE/VC Funds focuses on the acquisition of controlling interests in mid-market technology companies with revenues generally greater than \$15 million. The Advisers seek to invest in companies that generally possess many or all of the following characteristics: (i) a product or service that has a high return on investment and/or is highly important for customers; (ii) a stable, high visibility revenue model (*e.g.*, maintenance fees, subscription fees, transaction fees, and multi-year contracts); (iii) strong operating and cash flow margins that can result in high operating leverage; (iv) a capital efficient business model that can deliver above average returns on invested capital; and (v) vertical market domain expertise that can drive business value for customers and potentially create a sustainable competitive advantage.

The Advisers' investment strategy for the Structured Capital Fund is to fund a diversified portfolio consisting principally of structured equity, subordinated debt and other investments in middle market software and technology-enabled services companies with revenues generally greater than \$10 million. The investments of the Structured Capital Fund will typically be structured as minority preferred equity or subordinated debt with potential equity enhancements. The Advisers will generally seek to provide investors in the Structured Capital Fund with a combination of equity upside and current yield, while seeking to limit principal risk through structural downside protection. In seeking such opportunities, the Advisers will generally focus on growth financings, acquisition financings, management buyouts and recapitalizations. The Advisers generally seek to invest the Structured Capital Fund in companies that possess many or all of the following characteristics: (i) a product or service that is mission critical for customers; (ii) a stable, high visibility revenue model (*e.g.*, maintenance fees, subscription fees, transaction fees and multi-year contracts); (iii) predictable operating and cash flow margins; (iv) capital efficiency that can deliver above-average returns on invested capital; and (v) vertical market domain expertise.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Funds. More detailed descriptions of the Funds' investment strategies and methods of analysis are included in the applicable private placement memorandum, if available, and Fund Agreement for each Fund. *There can be no assurance that the Advisers will achieve the investment objectives of the Funds, and a loss of investment may be possible.*

### **Investment and Operating Strategy for the PE/VC Funds**

*Deal Origination and Due Diligence.* The Advisers' origination strategy includes leveraging a network of technology industry executives, bankers, brokers and other service providers, as well as an outbound calling effort focused on founder and family owned businesses with little or no institutional backing. The Advisers due diligence is meant to provide a framework for assessing business models, markets and management teams in an effort to identify businesses and assets that are well-positioned for long-term value accretion.

*Development of Portfolio Companies.* Post investment, the Advisers employ a disciplined, long-term approach to value creation. The Advisers aim to create value at the portfolio company by engaging in certain of the following activities: (i) developing core competitive advantages by prudently investing in growth; (ii) implementing financial controls and key operating performance metrics; (iii) formalizing an operating plan and a long-term strategic road map for organic growth and inorganic growth; (iv) providing management with a disciplined approach to capital allocation decisions as it relates to acquisitions, organic growth initiatives, investment in innovation and sales and marketing strategies; (v) leveraging AKKR's corporate resources and business networks in the development of customer and partner relationships; and (vi) building the management team and board of directors as needed.

*Value Realization.* The Advisers generally seek to build long-term sustainable businesses that are leaders in their respective markets so that each company will be well-positioned to achieve an attractive exit at the appropriate time. The Advisers believe that their technology and service focus and experience provide a clearer understanding of potential exit opportunities and affords the firm the opportunity to engage in ongoing dialogue with the universe of natural buyers.

## **Investment and Operating Strategy for the Structured Capital Fund**

*Deal Origination and Due Diligence.* The Advisers' origination strategy includes leveraging a network of technology industry executives, bankers, brokers and other service providers, as well as an outbound calling effort focused on founder and family owned businesses with little or no institutional backing. The Advisers due diligence is meant to provide a framework for assessing business models, markets and management teams in an effort to identify businesses and assets that are well-positioned for long-term value accretion.

*Post-Investment Involvement.* Active involvement with portfolio companies is an important component in protecting and enhancing the value of the Structured Capital Fund's structured investments. The Advisers believe that their domain expertise allows them to provide valuable strategic and financial advice to portfolio companies. The Structure Capital Fund expects to provide input on the following where applicable: (i) advising on financial structures and capital allocation decisions; (ii) advising on asset divestitures; (iii) introducing and evaluating add-on acquisition opportunities; (iv) arranging and/or providing follow-on financing; (v) facilitating customer and / or supplier introductions; (vi) positioning for, and advising on, exit opportunities; (vii) recruiting additional management where appropriate and building world class boards of directors where needed; and (viii) implementing appropriate enterprise resource planning, customer relationship management, finance and budgeting systems to better manage the business..

*Value Realization.* The Advisers generally seek to build long-term sustainable businesses that are leaders in their respective markets so that each company will be well-positioned to achieve an attractive exit at the appropriate time. The Advisers believe that their technology and service focus and experience provide a clearer understanding of potential exit opportunities and affords the firm the opportunity to engage in ongoing dialogue with the universe of natural buyers.

## **Risks of Investment**

A Fund and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Fund are detailed in the Fund's private placement memorandum, if available. In general, the risks applicable to each Fund and the activities of its related Advisers include, but are not limited to:

*Business Risks.* The Fund's investment portfolio will consist primarily of securities issued by privately-held unseasoned companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk which can result in substantial losses.

*Concentration of Investments.* The Fund will participate in a limited number of investments and intends to make most of its investments in companies with a technology focus. As a result, the Fund's investment portfolio could become highly concentrated, and its aggregate return may be affected substantially by the performance of a few holdings.

*Lack of Sufficient Investment Opportunities.* It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, the investors will be required to pay management fees during the commitment period based on the aggregate amount of all Commitments to the Fund.

*Leveraged Investments.* The Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, the companies in which the Fund invests generally will not be rated by a credit rating agency.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Fund's investments and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of the Fund.

*Non-U.S. Investments.* The Fund may invest in companies that are organized and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due, among other things, to potentially unsettled points of applicable governing law, the risks associated with fluctuating currency

exchange rates and capital repatriation regulations (as such regulations may be given effect during the term of the Fund) and the application of complex tax rules to cross border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Fund makes investments.

*Reliance on Portfolio Company Management.* Although the applicable Adviser will monitor the performance of each the Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*Projections.* Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Need for Add-On Investments.* Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make add-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on

a portfolio company in need of such an investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

*Investment in Junior Securities.* The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

In addition, the following risk is applicable to the investment strategy of the Structured Capital Fund:

*Prepayment of Subordinated Debt Investments.* The stated maturity of traditional subordinated debt investments is generally eight to ten years. However the Structured Capital Fund expects that borrowers of subordinated debt funds will generally prepay their loans within five years. The life of a traditional subordinated debt investment can be substantially shorter, particularly for good credits. Early prepayment, particularly by good credits, reduces the Structured Capital Fund's opportunity to make long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up the Structured Capital Fund's capital in investments which may have a greater risk of default. Either way, the shortening or lengthening of the holding period may prevent the Structured Capital Fund from realizing its investment objective.

*Non-controlling Investments.* The Structured Capital Fund anticipates that it will principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Structured Capital Fund's position in such portfolio companies. However, AKKR SC Management will seek appropriate creditor and shareholder rights to help protect the Structured Capital Fund's interest.

*Public Company Holdings.* The Structured Capital Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Structured Capital Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Structured Capital Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the principals of AKKR, and increased costs associated with each of the aforementioned risks.

## **Conflicts of Interest**

During the investment period of a given Fund, all appropriate investment opportunities will be pursued by the Advisers through such Fund, subject to certain limited exceptions. At any given time, the Advisers will typically manage several other Private Investment Funds in addition to a given Fund, which may include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Fund, and may direct certain relevant investment opportunities to those Private Investment Funds and with respect to such investments. The Advisers' principals and investment staff will continue to manage and monitor the

investments of such Private Investment Funds until their realization. The portfolio company investments of such other Private Investment Funds may potentially compete with companies invested in by a given Fund. Following the investment period of a given Fund, the Advisers' principals may focus their investment activities on other opportunities and areas unrelated to such Fund's investments while continuing to monitor such Fund's investments with an eye towards increasing value and seeking realization.

From time to time, an Adviser will be presented with investment opportunities that would be suitable not only for a given Fund, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of such Adviser. In determining which investment vehicles should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in such investment vehicles. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in their Private Investment Funds and the obligations owed by their advisory affiliates to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a Fund, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from advisory committee consisting of investors of the Fund and such other investment vehicles, if such a committee exists.

Because the Advisers' carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause the Funds to make riskier or more speculative investments than would otherwise be the case. Since the Advisers are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, the Advisers could have a conflict of interest in connection with approving transactions. The Advisers attempt to resolve such conflict by offsetting the Management Fee by a specified percentage of such Supplemental Fees.

#### **DISCIPLINARY INFORMATION**

AKKR Management II and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AKKR Management II is affiliated with the following AKKR investment advisers:

- AKKR Fund III Management Company, LP (general partner of Fund III);
- AKKR Fund IV Management Company, LP (general partner of Fund IV); and
- AKKR Structured Capital Management Company, LP (general partner of the Structured Capital Fund and the California Co-Invest).

These Advisers are registered with the SEC under the Advisers Act pursuant to AKKR Management II's registration in accordance with SEC guidance. AKKR Management II

provides personnel and other services to the Advisers and other AKKR entities. These affiliated investment advisers operate as a single advisory business together with AKKR Management II and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

From time to time, the Advisers may consult with, or seek advice from, personnel of KKR or Accel with respect to certain activities of the Funds and other Private Investment Funds, however neither KKR nor Accel is involved with the management, decision-making or operations of any Private Investment Fund. As investors in the Funds, KKR and Accel may be subject to terms that are more favorable than those applicable to other investors, as described in the applicable Fund Agreement.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Advisers’ Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers’ personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any client or prospective client upon request to Patrick Fallon, AKKR’s Chief Compliance Officer, at (650) 289-2460. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client-eligible investments.

The Advisers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of AKKR personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. The Funds and other Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of the Adviser in the manner set forth in the applicable Fund Agreement. The Advisers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Advisers' fiduciary obligations and consistent with the applicable Private Investment Funds' underlying documents.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other accounts or certain Funds or vehicles which may differ from advice given to, or securities recommended or bought for, other Funds or vehicles, even though their investment objectives may be the same or similar.

The Advisers or their affiliates may recommend the purchase or sale of securities for Private Investment Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Private Investment Funds. Certain of these transactions may require the consent of the applicable Private Investment Fund.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Private Investment Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Advisers purchase or sell publicly traded securities for a Private Investment Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although



the Advisers generally seek competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time. To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. If orders are not batched, it may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

## **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest, and the AKKR Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Funds will provide to their investors audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company annually (or more frequently in the Advisers' discretion).

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Fund's Fund Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases, these fees would be in addition to Management Fees. See "Fees and Compensation."

The Advisers or their affiliates have not currently entered into any solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund, but may enter into such arrangements in the future. Any fees and expenses payable to any such placement agents will be borne by the Advisers indirectly through an offset against the Management Fee.

#### **CUSTODY**

The Advisers maintain custody of the Funds' assets with the following qualified custodians:

- Silicon Valley Bank, located in Menlo Park, California;
- Merrill Lynch, Pierce, Fenner & Smith Inc., located in San Francisco, California;
- Wells Fargo Bank, located in San Francisco, California;
- Wells Capital Management, located in San Francisco, California;
- SVB Asset Management, located in San Francisco, California; and
- Merlin Securities, LLC, located in San Francisco, California.

#### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Fund Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Fund Agreement, however, an Adviser may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal,

tax, regulatory or other similar reasons. The Advisers assume this discretionary authority pursuant to the terms of the Fund Agreements.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted a Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Funds’ portfolio investments. The majority of “proxies” received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds’ investors through the principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of a advisory committee of Fund investors, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by AKKR personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the AKKR’s complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Patrick Fallon, AKKR’s Chief Compliance Officer, at (650) 289-2460, and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

Neither AKKR Management II nor any of the other Advisers requires prepayment of management fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure.