

**BROCHURE**  
(Form ADV Part 2A)



**R A I N E C A P I T A L L L C**

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**March 31, 2015**

This Brochure provides information about the qualifications and business practices of Raine Capital LLC (the “Adviser” or “Raine”). If you have any questions about the contents of this Brochure, please contact us at (212) 603-5500 or by email at [legal@raine.com](mailto:legal@raine.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority, and references in this Brochure to Raine Capital LLC as a “registered investment adviser” are not intended to imply a certain level of skill or training. This Brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment or investment vehicle. Additional information about Raine Capital LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

This Brochure was last amended on March 31, 2014. This brochure updates disclosures with respect to Raine’s investment management business since this Brochure’s last annual amendment, including the organization of, and sale of interests in, additional co-investment funds managed by Raine, as described in greater detail below, and in Raine’s annual amendment to its Form ADV Part 1A (as filed with the SEC contemporaneously with this annual amendment to the Brochure), changes in assets under management, and certain other clarifications with respect to fees, expenses and conflicts of interest disclosures.

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## ITEM 4 – ADVISORY BUSINESS

### Item 4.A – Advisory Firm

Raine Capital LLC, a Delaware limited liability company, is an investment advisory firm based in New York, New York which was founded in 2009 by industry veterans Joseph Ravitch and Jeffrey A. Sine. Raine Capital LLC is registered as an “investment adviser” under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and is an affiliate of both Raine Securities LLC, a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and a member firm of the Financial Industry Regulatory Authority, Inc. (“FINRA”), and Raine Advisors Limited (FRN: 655362), an Appointed Representative and tied agent of Sapia Partners LLP (FRN: 550103), a firm which is authorized and regulated by the Financial Conduct Authority (“FCA”) of the United Kingdom (“UK”). Raine Advisors Limited and its affiliates are not affiliated with Sapia Partners LLP. Registration does not imply a certain level of skill or training.

Raine provides investment advisory services on a discretionary basis to certain closed-end private investment funds and certain open-end private investment funds. Specifically, Raine provides investment advice to three closed-end private investment funds, Raine Partners I LP, a Delaware limited partnership, Raine Partners II LP, a Delaware limited partnership and Raine Venture Partners I LP, a Delaware limited partnership, and any parallel and alternative investment vehicles relating to each fund as well as certain special purpose investment vehicles that may co-invest alongside the Raine PE Funds (as defined below) in the same portfolio companies in which the Raine PE Funds invest. The Raine co-investment vehicles (as defined below) are formed from time to time for the purpose of permitting (i) certain investors in the Raine PE Funds to increase, on a discretionary basis, the amount that they invest in certain portfolio companies in which the Raine PE Funds are investing and/or (ii) one or more third parties that are not investors in the Raine PE Funds to invest alongside the Raine PE Funds in certain portfolio companies in which the Raine PE Funds are investing. Generally, unlike the Raine PE Funds, each Raine co-investment vehicle is established for the specific purpose of making an investment (and any related follow-on investment) in one specific portfolio company in which a Raine PE Fund is investing. Accordingly, once established, a Raine co-investment vehicle typically will not make investments in additional portfolio companies. In addition to the Private Equity Funds (as defined below), Raine provides investment advice to certain open-end private investment funds organized in a “master-feeder” structure comprised of Raine Liquid Onshore Fund LP, a Delaware limited partnership (the “Onshore Feeder”), Raine Liquid Offshore Fund LP, a Cayman Islands exempted limited partnership (the “Offshore Feeder” and together with the Onshore Feeder, the “Feeder Funds”), and Raine Liquid Master Fund LP, a Delaware limited partnership (the “Master Fund”). The Feeder Funds invest substantially all of their assets in the Master Fund.

Raine is a wholly-owned subsidiary of The Raine Group LLC, a Delaware limited liability company, which is 99% directly owned by Raine Holdings LLC, a Delaware limited liability company, and 1% directly owned by The Raine Group Professionals LLC, a Delaware limited liability company. The Raine Group Professionals LLC is a wholly-owned subsidiary of Raine Holdings LLC. Joseph Ravitch and Jeffrey A. Sine are the principal owners of Raine Holdings LLC. Raine Associates I LP, an affiliate of Raine, serves as the general partner of Raine Partners I LP; Raine Associates II LP, an affiliate of Raine, serves as the general partner of Raine Partners II LP; Raine Venture Associates I LP, an affiliate of Raine, serves as the general partner of Raine Venture Partners I LP; and Raine Liquid Associates LLC, an affiliate of Raine, serves as the general partner of the Hedge Fund (as defined below).

As used in this Brochure:

- “Raine,” “we,” “us” and “our” refer to Raine Capital LLC and its investment advisory business;

- the “Raine Group” refers to Raine Holdings LLC, Raine Holdings AIV LLC, and their controlled affiliates;
- the “Raine broker-dealer” refers to Raine Securities LLC;
- the “Raine Growth Funds” refers to Raine Partners I LP and Raine Partners II LP, together with any parallel and alternative investment vehicles relating to either of them;
- the “Raine Venture Fund” refers to Raine Venture Partners I LP, together with any parallel and alternative investment vehicles relating to it;
- the “Raine PE Funds” refers to the Raine Growth Funds and the Raine Venture Fund;
- the “Raine co-investment vehicles” refers to special purpose vehicles formed to co-invest alongside the Raine PE Funds in certain portfolio companies;
- the “Private Equity Funds” refers collectively to the Raine PE Funds and the Raine co-investment vehicles;
- the “Hedge Fund” refers collectively to the Master Fund, the Onshore Fund, the Offshore Fund and any parallel investment vehicle relating to them;
- the “Raine clients,” “its clients,” “our clients,” “advisory clients” and the “Raine investment vehicles” refer to the Private Equity Funds and the Hedge Fund, as the context requires;
- “investors” refers to investors in the Private Equity Funds and/or the Hedge Fund, as applicable;
- the “General Partner” or the “Managing Member” refers to Raine Associates I LP, Raine Associates II LP, Raine Venture Associates I LP, Raine Liquid Associates LLC, Delaware limited liability companies, and/or any other affiliate of Raine that may be formed to serve as the general partner or managing member, as applicable, of any parallel or alternative investment vehicle of the Private Equity Funds or the Hedge Fund;
- “portfolio companies” refers to any company in which any Private Equity Fund or the Hedge Fund holds an investment;
- the “principals” refers to Joseph Ravitch and Jeffrey A. Sine; and
- “Raine’s core sectors,” “its core sectors” and “our core sectors” refer, in respect of the Private Equity Funds, to the technology, entertainment, media, sports, consumer and lifestyle sectors, and, in respect of the Hedge Fund, to the technology, media and telecommunications (“TMT”) sectors.

## **Item 4.B – Types of Advisory Services Offered**

### **Private Equity Funds**

Our private equity business focuses on advising the Private Equity Funds in making opportunistic investments in the equity or debt of operating companies that are primarily in the technology, entertainment, media, sports, consumer and lifestyle sectors, with the primary differences between the Raine Growth Funds and the Raine Venture Fund being the size of the investments as described later in this paragraph and the fact that the Raine Growth Funds will typically invest in later-stage growth companies and the Raine Venture Fund will typically invest in early-stage growth companies. Most operating companies in which the Private Equity Funds invest are privately held. As provided in its governing documents, each Raine PE Fund may invest a small portion of its assets in passive, open-market investments in publicly traded securities and in portfolio companies that are not in or related to our core sectors. We currently anticipate that the average size of an investment made by (i) the Raine Growth Funds will be between \$25 million and \$75 million and (ii) the Raine Venture Fund will be between \$250,000 and \$2.5 million for initial investments and up to \$5 million for fully-scaled investments. We also expect that each Raine PE Fund will have the ability to pursue larger transactions (often significantly larger), where appropriate, generally by offering co-investment opportunities through the Raine co-investment vehicles to investors in such Raine PE Fund and/or one or more third parties that are not investors in such Raine PE Fund. Generally, subject to the terms of the governing documents of a Raine co-investment vehicle and its related Raine PE Fund, a Raine co-investment vehicle is contractually required, as a condition of its investment, to exit its investment in any particular investment opportunity at the same time and on the same terms as its related Raine PE Fund. Additionally, subject to the relevant terms of its governing documents, a Raine co-investment vehicle will typically make initial and, where applicable, follow-on investments in a single portfolio company (or a single group of related portfolio companies) and will typically not invest in additional portfolio companies unrelated to the portfolio company comprising the initial investment.

### **Hedge Fund**

Our hedge fund business focuses on advising the Hedge Fund in seeking to invest opportunistically in the TMT sectors. We expect the Hedge Fund to invest primarily in long and short positions in publicly-traded equity securities (although the Hedge Fund may also invest in options and other derivatives as well as credit instruments) that we believe to be sufficiently liquid to meet the Hedge Fund's investment objectives. The Hedge Fund will pursue investments that include growth, value and event-driven ideas.

Raine expects the Hedge Fund to hold a concentrated portfolio of investments based on Raine's best ideas. Portfolio positions will be sized relative to Raine's level of conviction in such positions, including its belief as to the level of potential returns, any potential downside and the "margin of safety" that Raine believes exists in the then current price of a security. Raine currently anticipates that the Hedge Fund's portfolio, consistent with its investment guidelines, will typically consist of between 15 and 20 core long positions with an average position size of approximately 3% to 7% of the Hedge Fund's total capital and between 20 and 30 core short positions with an average position size of approximately 2% to 3% of the Hedge Fund's total capital. However, the Hedge Fund's actual portfolio composition may, from time to time, vary from the foregoing guidelines depending on the size of the Hedge Fund and the number of available investment opportunities at any given time.

On the long side, Raine typically expects to focus on a one to two year investment thesis, investing opportunistically when Raine believes that securities are attractively priced relative to the mid-to-long term prospects of the company. In evaluating potential long investments, Raine considers such factors as the strength of the company's management team, the overall market opportunity for the

company, competitive forces, historical and expected revenue growth and margins, free cash flow conversion and capital uses and demands.

Short investments will comprise an important part of the Hedge Fund's portfolio. Raine expects to make single name (rather than basket) short investments that it believes can drive returns (in addition to acting as a nature hedge to the long positions held by the Hedge Fund). Raine believes that, given the different risk profile (e.g., M&A risk), short positions must be both analyzed and managed differently than long positions. On the short side, the Raine expects to typically focus on a 6 to 12 month investment thesis, avoiding short investments based solely on valuation criteria (i.e., if the stock looks overpriced) and instead focusing on companies that Raine believes are facing strong cyclical or secular headwinds and lack the ability to shift their business model to address these challenges.

### General

We provide investment advice to our clients regarding the selection, monitoring and realization of each client's investments. The relationship between us and each client is governed by the governing documents of each client and the terms of investment advisory agreements between us and each client. Investments in the Private Equity Funds and the Hedge Fund are privately offered only to qualified investors, typically institutional investors and eligible high-net-worth individuals.

The investment advice we provide to our clients is limited to the investment programs conducted by the Private Equity Funds and the Hedge Fund.

### **Item 4.C – Services Tailored to Individual Needs of Clients**

Our advisory services are tailored to the investment strategies of the Private Equity Funds and the Hedge Fund. As investment advice is provided directly to the respective Raine investment vehicles and not individually to investors, we do not tailor our advisory services to the individual needs of investors. Investment restrictions are imposed in the governing agreements for the Raine investment vehicles, as specifically negotiated with investors. These terms may restrict our advice concerning investments in certain securities or geographies, sectors, concentration limits or leverage, among others. Raine co-investment vehicles are established to invest alongside the Raine PE Funds in certain investment opportunities, in accordance with any applicable allocation restrictions in the relevant governing documents. In circumstances where an entire investment could be made by a Raine PE Fund, Raine may still allocate a portion of such investment to one or more co-investment vehicles in accordance with such fund's governing documents and Raine's internal policies and procedures if Raine believes in its good faith judgment that the full investment would unreasonably limit the diversification of the applicable fund or that a particular co-investor would add value to the fund or the investment.

Raine and its affiliates have entered (and may in the future enter) into agreements, or "side letters," with investors whereby such investors may be subject to terms and conditions that vary from, and may be more favorable than, those applicable to other investors. Any such terms and conditions may include, but are not limited to, (i) opt-outs relating to particular investments, (ii) reporting obligations, (iii) transfers to affiliates, (iv) participation in co-investment opportunities, (v) withdrawal rights, (vi) consent rights to certain governing document amendments, (vii) payment of management fees, carried interest and/or incentive allocation, or (viii) representation on a Raine investment fund's limited partner advisory committee (or equivalent thereof).

Raine and its affiliates have permitted (and may in the future permit) certain business associates and other "friends and family" of the key professionals to invest directly or indirectly in the Raine investment vehicles on terms which may be more favorable than those offered to other investors, including with respect to the payment of management fees, carried interest and/or incentive allocation.

#### **Item 4.D – Wrap Fee Programs**

Raine does not participate as manager or investment advisor in any wrap fee programs.

#### **Item 4.E – Client Assets**

Raine manages approximately \$2,115,000,000 (calculated based on "Regulatory Assets Under Management" as defined by the United States Securities and Exchange Commission ("SEC")), all on a discretionary basis. This number is provided as of December 31, 2014.

### **ITEM 5 – FEES AND COMPENSATION**

#### **Item 5.A – Fees**

##### General

Raine is generally compensated for advisory services through asset-based management fees. In addition, Raine or certain of its affiliates may receive performance-based compensation.

The fees applicable to each Raine investment vehicle are set forth in detail in each Raine investment vehicle's offering documents and governing agreements and are generally not negotiable by investors.

The calculation of fees payable by investors is complex and investors are advised to carefully review the terms set forth in the offering documents and governing agreements of the applicable Raine investment vehicle.

Raine may reduce or waive the management fees described below with respect to any investor in any Raine investment vehicle. In particular, Raine and its personnel as well as certain business associates and other "friends and family" of the key professionals are not required to pay management fees, carried interest and/or incentive allocation.

Please see Item 6 for a description of performance-based compensation, carried interest or incentive allocation that may be payable by a Raine investment vehicle to the General Partner or Managing Member, as applicable.

##### Private Equity Funds

With respect to the Raine PE Funds, management fees are generally payable quarterly in advance by the Raine PE Funds and initially equal to 2.0% per annum of an investor's capital commitment to the Raine PE Funds and are typically reduced upon the occurrence of certain events set forth in the applicable partnership agreement. With respect to the Raine Growth Funds, the management fee is reduced to 1.5% per annum of invested capital upon the expiration of the commitment period or, if earlier, upon the formation of a subsequent investment fund with a substantially similar investment mandate. In the case of the Raine Venture Fund, upon the expiration of the commitment period or, if earlier, upon the formation of a subsequent investment fund with a substantially similar investment mandate, the management fee is reduced to 2.0% per annum of invested capital until the 10<sup>th</sup> anniversary of the initial closing date and thereafter for the remainder of the term, 1.5% per annum of invested capital. With respect to Raine co-investment vehicles, any fees to be received by Raine are negotiated on a vehicle-by-vehicle basis, but may include asset-based fees and expense reimbursements or non-advisory administrative fees. Generally, management fees are payable quarterly in advance by a Raine co-investment vehicle and equal to 2.0% per annum of an investor's capital contribution to the applicable Raine co-investment vehicle, except that



an investor in the Raine PE Funds that participates in a Raine co-investment vehicle typically does not pay management fees on capital contributions made to the applicable Raine co-investment vehicle.

As permitted under the respective partnership agreement, Raine may elect to forego a portion of the management fee in favor of a right (a) to receive a priority interest in future distributions of the relevant Private Equity Fund profits equal to the waived amounts or (b) to cause the investors to contribute such waived amounts to such Private Equity Fund on Raine's behalf, which reduces the amount of capital Raine would otherwise be required to contribute to such Private Equity Fund.

#### Hedge Fund

With respect to the Hedge Fund, there are two classes of interests, Class A Interests and Class B Interests. In respect of the Class A Interests, Raine generally will receive on a quarterly basis a management fee equal to 0.5% (or an annualized rate of 2.0%) of the portion of the net asset value of the Hedge Fund that is allocable to Class A Interests. In respect of the Class B Interests, Raine generally will receive on a quarterly basis a management fee equal to 0.375% (or an annualized rate of 1.5%) of the portion of the net asset value of the Hedge Fund that is allocable to Class B Interests.

#### **Item 5.B – How Fees are Billed**

Management fees are payable quarterly in advance. With respect to the Private Equity Funds, management fees are paid by capital contributions from investors to the Raine PE Funds or any applicable Raine co-investment vehicle made pursuant to capital call notices delivered by the applicable General Partner or Managing Member, or are paid out of cash otherwise distributable to the investors, including when a portfolio investment is sold and the proceeds are distributed to investors. With respect to the Hedge Fund, management fees generally are paid out of the assets of the Hedge Fund and are deducted as an expense from each investor's capital account (excluding any investors for which Raine has waived the payment of management fees). In the event that new capital contributions are received on a date other than the first business day of a calendar quarter, a pro rata portion of the quarterly management fee will be paid to Raine based on the number of months remaining in such partial calendar quarter (including the month such capital contribution is made).

With respect to performance compensation, "carried interest" for the Private Equity Funds is allocated periodically according to each Private Equity Fund's governing agreements (as discussed further in Item 6 below), and paid out in the discretion of the applicable General Partner or Managing Member. These fees are typically paid out of cash otherwise distributable to investors, such as the receipt by the applicable Private Equity Fund of proceeds from the disposition of a portfolio investment.

For the Hedge Fund, as of the end of each fiscal year, a percentage of the net capital appreciation allocated to each investor's capital account for such fiscal year is reallocated to the capital account of the General Partner; provided, however, that the net capital appreciation upon which the calculation of the incentive allocation (as defined below) is based will be reduced to the extent of any unrecovered balance remaining in the Loss Recovery Account (as defined below) maintained for such investor. In other words, the General Partner will be entitled to receive an incentive allocation on a "high water mark" basis.

#### **Item 5.C – Other Fees and Expenses**

##### Private Equity Funds

With respect to the Private Equity Funds, Raine or its affiliates may receive customary break-up and topping fees, commitment fees, monitoring and directors' fees and transaction, financing, divestment and other similar fees from portfolio companies as compensation for financial advisory and similar services. A certain portion of these fees may offset the management fees otherwise payable by investors.

These potential fee arrangements are disclosed in the offering documents and/or governing agreements of each Raine PE Fund and any applicable Raine co-investment vehicle.

In addition to paying management fees and, if applicable, performance compensation, the Raine PE Funds and the Raine co-investment vehicles (and therefore investors) are also subject to other costs and expenses related to their respective activities (to the extent not reimbursed by a portfolio company) and, to the extent incurred by Raine or any of its affiliates, are required to reimburse Raine and its affiliates for such costs and expenses. Such costs and expenses may include (but are not limited to): (i) offering and organizational expenses up to a certain monetary threshold; (ii) expenses incurred in connection with the discovery, investigation, development, evaluation, acquisition, management, monitoring or disposition of investments (whether or not consummated), including private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, and legal, accounting, investment banking, consulting, information services and professional fees; (iii) expenses of administrators, custodians, outside counsel, economic advisors, tax advisors, auditors and accountants; (iv) expenses associated with the preparation and distribution of financial statements, tax returns, K-1s and other fund and portfolio company reporting to investors (including printing costs and investor data management and portfolio company reporting services software expenses) and expenses incurred in connection with regulatory filings (including preparation and filing of Form PF pursuant to the Advisers Act); (v) any insurance, indemnification, audit, investigation, governmental inquiry, public relations inquiry or litigation expense (including expenses of any judgment or settlement related thereto); (vi) any taxes, fees or other governmental charges; (vii) expenses relating to defaults by investors in the payment of any capital contributions; (viii) expenses incurred in connection with any restructuring or amendments to governing agreements; (ix) expenses incurred in connection with the formation of any special purpose vehicles, AIVs or other vehicles; and (x) expenses incurred in connection with any meetings of investors (including any limited partner advisory committee) or Raine's advisory board. Investors should refer to the applicable governing documents for more information regarding a specific fund's expenses.

#### Allocation of Partnership Expenses

Private Equity Fund expenses pertaining directly to a single Private Equity Fund will be charged to that particular Private Equity Fund. If any Private Equity Fund expenses are associated with two or more Private Equity Funds, such expenses will be allocated amongst the relevant Private Equity Funds in good faith. In circumstances where expenses are associated with multiple Raine PE Funds, such expenses will typically be allocated on a pro-rata basis, based on the relative aggregate capital commitments of such Raine PE Funds. Additionally, in circumstances where one or more co-investment vehicles invest alongside a Raine PE Fund into a specific investment, direct costs pertaining to such investment will typically be allocated amongst such Raine PE Fund and the applicable co-investment vehicles on a pro-rata basis, based on the relative share of invested capital in such investment of such Raine PE Fund and the applicable co-investment vehicles.

#### Senior Advisors

Raine may hire third party consultants throughout the Private Equity Funds' investment processes, including Senior Advisors who are former senior executives with operating experience and industry-specific knowledge. Senior Advisors play an important role in how Raine manages its portfolio and may assist with a variety of activities, including market research, new investment identification, pre-investment business diligence and post-investment value creation. Senior Advisors are not employees of Raine but consultants who provide an important source of operating and strategic expertise across a wide spectrum of different fields within the Private Equity Funds' focus sectors. Through Raine's relationships, Raine may make its Senior Advisors available to Private Equity Fund portfolio companies.

Senior Advisors are typically paid a consulting fee by Raine. Consulting fees may vary depending upon a number of variables, including expertise and time commitment to Raine or a portfolio company. From time-to-time, these individuals may also co-invest in transactions in which they are involved under the same terms and conditions as the applicable Private Equity Fund. As a Senior Advisor becomes more ingrained with a portfolio company, he or she may take on a more active role, including, for example, taking a board seat and providing additional services directly to the portfolio company. In either case, the Senior Advisor may receive direct compensation from the portfolio company under terms agreed to by the portfolio company and the Senior Advisor. Any such compensation will not offset any management fees (or other fees) received by Raine. In addition, Senior Advisors may make capital commitments and capital contributions to one or more Raine investment vehicles.

### Hedge Fund

With respect to the Hedge Fund, in addition to paying the management fees and, if applicable, any performance compensation, the Hedge Fund bears the expenses of its operations such as investment expenses (e.g., brokerage commissions, short sales costs, clearing and settlement charges, custodial fees, hedging expenses, bank service fees, prime broker fees, interest expenses and expenses related to the formation and maintenance of any vehicles formed to effect or facilitate the acquisition of any investment); financing costs; due diligence, research and investment-related travel expenses (for both consummated and unconsummated investments); internal and external legal expenses; professional fees relating to investments; internal and external accounting expenses; auditing and tax preparation expenses; valuation expenses (including the cost of third party valuation agents); administrative expenses; cost of software (including the fees of third party software developers) used by Raine to track, monitor and account for investments; expenses related to monitoring the Hedge Fund's compliance with applicable law; insurance expenses; expenses (including travel expenses) incurred in connection with the offering and sale of interests in the Hedge Fund to investors up to a certain monetary threshold; any taxes and duties payable in any jurisdiction in connection with the operation of the Hedge Fund; fees and expenses of the administrators and other agents or service providers; extraordinary expenses (including litigation, indemnification and contribution expenses); and all other expenses and/or liabilities incurred in connection with the operation of the Hedge Fund.

Investors should refer to the respective offering documents and/or governing agreements for the Private Equity Funds and the Hedge Fund for a complete description of fees and expenses. The information contained herein is qualified in its entirety by such documents.

### **Item 5.D – Refunds for Fees Charged in Advance**

Management fees are payable quarterly in advance as described in Item 5.B. With respect to the Hedge Fund, subject to the governing documents of the Hedge Fund, Hedge Fund investors generally may withdraw their investments only on a quarterly basis. In the event a Hedge Fund investor is not invested for a full quarterly period, management fees are typically pro-rated based on the number of months in the quarter the investor was invested. With respect to the Private Equity Funds, an investor generally may not voluntarily withdraw during the life of the fund as the investments are intended to be long-term investments. A Private Equity Fund or Raine's services to a Private Equity Fund, however, may be terminated upon the occurrence of certain limited events as set forth in its governing documents, and in the event such a termination occurs prior to the complete rendering of services for a quarterly period, Raine generally would pro rate the management fee based on the period of time for which services were provided.

### **Item 5.E – Compensation for Sales of Securities**

Neither we nor our supervised persons accept compensation for the sale of securities or other investment products.

Our affiliate, the Raine broker-dealer, may receive compensation for the sale of securities or other investment products. For further discussion concerning this compensation of the Raine broker-dealer, see Item 10. As described in further detail in Item 10, certain of our supervised persons may, in their capacity as supervised persons of the Raine broker-dealer, receive compensation attributable to the sale of securities or other investment products.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### *Private Equity Funds*

One or more of the Private Equity Funds may be assessed a carried interest or performance fee that is paid to the General Partner or Managing Member, as applicable. The carried interest is allocated periodically according to each Private Equity Fund's governing agreements, typically after the receipt by the applicable Private Equity Fund of proceeds from the disposition of a portfolio investment, and is paid out of cash proceeds otherwise distributable to investors. Carried interest is typically measured as a percentage of the profits of a Private Equity Fund and is negotiated separately for each Private Equity Fund. Currently, except as noted below, investors in the Raine PE Funds are subject to a carried interest charge of 20%. Typically, investors in a Raine co-investment vehicle are subject to a carried interest charge of 10% if they are also investors in the Raine PE Funds and 20% if they are not investors in the Raine PE Funds. Because carried interest distributions may be made prior to the end of a Private Equity Fund's life, such distributions are subject to certain giveback obligations, as set forth in the applicable governing documents.

Raine or an affiliate has waived the carried interest charge in respect of one or more Raine PE Funds for itself and its professionals as well as certain business associates and other "friends and family" of the key professionals. In addition, with respect to Raine co-investment vehicles, any fees to be received by Raine or its affiliates are negotiated on a vehicle-by-vehicle basis and may not include a carried interest charge.

### *Hedge Fund*

With respect to the Hedge Fund, as of the end of each fiscal year, 20% (in the case of Class A interests) and 15% (in the case of Class B interests) of the net capital appreciation allocated to each investor for such fiscal year will be reallocated to the capital account of the General Partner (the "incentive allocation"); provided, however, that the net capital appreciation upon which the calculation of the incentive allocation is based will be reduced to the extent of any unrecovered balance remaining in the Loss Recovery Account (as defined below) maintained on the books of the fund for such investor. In other words, the General Partner will be entitled to receive an incentive allocation on a "high water mark" basis. The Hedge Fund will maintain one or more memorandum loss recovery accounts (each, a "Loss Recovery Account") for each investor the purpose of which is to track net capital depreciation, if any, attributable to the investor's interest in the Hedge Fund for each accounting period (generally a year). The General Partner will not be allocated any incentive allocation with respect to an investor until any net capital depreciation reflected in its Loss Recovery Account is recouped. In the event that an investor withdraws all or a portion of its interest in the Hedge Fund, the amount of net capital depreciation that is reflected in the investor's Loss Recovery Account is proportionately reduced. Additional capital contributions do not affect the amount of net capital depreciation that must be recouped before the General Partner is allocated an incentive allocation. Additional contributions by an investor will be treated as separate investments for the purpose of the determination of the incentive allocation. The General Partner may reduce or waive the incentive allocation with respect to any investor.

### General

The fact that Raine or an affiliate may be entitled to receive performance-based compensation may create an incentive for Raine to recommend investments which may be riskier than those which would be recommended under a different fee arrangement, as Raine or its affiliate captures a set fraction of an investment's upside but does not suffer proportionately the downside of the investment. However, this incentive may be tempered somewhat by the fact that losses will reduce a Raine investment vehicle's performance and thus performance-based compensation, and that the Raine Group and, in certain cases, the principals have made investments in the Raine PE Funds and in the Hedge Fund and are subject to downside on these investments.

## **ITEM 7 – TYPES OF CLIENTS**

Raine generally provides investment advisory services, as described above in response to Item 4, to the Private Equity Funds and the Hedge Fund. Investment in Raine clients is generally only available to institutional investors and certain high net worth investors that are (i) "accredited investors" as defined under Regulation D promulgated under or non-"U.S. persons" as defined under Regulation S promulgated under the Securities Act of 1933, as amended, and (ii) "qualified purchasers" or "knowledgeable employees" of Raine as defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

The Private Equity Funds and the Hedge Fund generally have a specified minimum investment amount as set forth in their offering documents, limited partnership agreements or other governing documents. Such minimums are subject to discretion, on the part of Raine or its affiliate, to permit investment of a smaller amount.

Raine employees and other persons associated with Raine and/or its affiliates, and the Raine Group out of its proprietary accounts, may make capital commitments and capital contributions to Raine clients.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Item 8.A – Methods of Analysis and Investment Strategies**

#### Private Equity Funds

The Raine PE Funds will primarily make private equity and equity-related investments in companies focused on Raine's core sectors, with the primary differences between the Raine Growth Funds and the Raine Venture Fund being the size of the investments as described in the following paragraph and the fact that the Raine Growth Funds will typically invest in later-stage growth companies and the Raine Venture Fund will typically invest in early-stage growth companies. Each Raine PE Fund seeks investments across the capital structure in opportunities that are consistent with its risk-return investment strategy. In seeking to achieve its investment objective, we anticipate that each Raine PE Fund will invest primarily in some or all of the following types of investments:

- common equity, when we believe that we can achieve attractive returns while mitigating the risk of principal loss;
- preferred equity, when we believe that the applicable Raine PE Fund can retain equity upside with principal protection through a liquidation preference and/or other protections;
- higher-yielding mezzanine investments with senior debt-like protections (including significant asset coverage); and

- “hybrid” and other structured transactions that we believe have attractive risk-return profiles.

We currently anticipate that the average size of an investment by (i) the Raine Growth Funds will be between \$25 million and \$75 million and (ii) the Raine Venture Fund will be between \$250,000 and \$2.5 million for initial investments and up to \$5 million for fully-scaled investments. We also expect that each Raine PE Fund will have the ability to pursue larger transactions (often significantly larger), where appropriate, by offering co-investment opportunities through the Raine co-investment vehicles to investors in such Raine PE Fund and/or one or more third parties that are not investors in such Raine PE Fund.

Generally, we will seek to capitalize on the sector-specific experience of the principals and Raine’s strategic partners to generate proprietary opportunities rather than participate in competitive auctions and to identify high-growth opportunities where Raine can create value without relying on financial leverage to drive returns.

We engage in a detailed due diligence process for each potential investment, including modeling short and long-term financial scenarios, company assessment, industry analysis, competitive benchmarking, evaluation of company management, risk assessment and transaction size, and pricing and structure analysis. The due diligence effort includes our investment professionals as well as operating management teams, legal, tax and accounting advisors and third party consultants. In our analysis of potential investments, we primarily use information that a potential portfolio company provides to us as a result of our due diligence review. Additionally, we use information regarding investment opportunities sourced from the Raine broker-dealer and other affiliates and strategic partners. We may also employ third-party advisors.

#### Hedge Fund

The Hedge Fund will seek to generate returns by investing opportunistically in the TMT sectors. As stated above in Item 4, we expect the Hedge Fund to pursue primarily a long-short public equity strategy, including growth, value and event-driven ideas.

We believe that the Hedge Fund offers an attractive opportunity for investors to gain exposure to the large and dynamic public TMT markets through a differentiated investment approach. We will seek to capitalize on our TMT-focused platform to help develop and diligence differentiated investment themes that we believe will enable the Hedge Fund to achieve attractive returns through a balanced and fundamental investment approach.

We believe that successful results in a dynamic investing environment come from a balanced approach of investing in both long and short opportunities across various strategies, including:

- *Growth:* We will attempt to identify companies that exhibit signs of above-average or accelerating growth. In identifying growth investments, we are less focused on certain traditional valuation metrics. Instead, we focus on addressable market opportunities, competitive advantages and the management team track records (or lack thereof) of successful execution.
- *Value:* We will attempt to identify companies with securities that appear underpriced relative to the intrinsic value of the company based on fundamental analyses and the company’s ability to effect change. In identifying value investments, we may consider metrics such as the company’s earnings multiple and free cash flow yield.



- *Event Driven:* We will attempt to identify attractive investments in companies that are undergoing corporate changes (such as spin-offs) or where there is hidden value (such as intellectual property or licenses), and we believe there is a tangible catalyst not fully appreciated by the market.

We will actively manage the Hedge Fund's investment portfolio, trading around core positions when we believe it is appropriate to take advantage of changes in the markets to enhance returns. We expect to capitalize on market conditions and company-specific events as they are announced, including earnings reports, press releases, industry or competitor news and changes in street perception and coverage. We will continue to re-evaluate positions and exit points as an investment thesis plays out or changes over time (e.g., if price targets have been achieved or if new information impacts the original thesis or investment decision). We believe that regular evaluation of the portfolio is important to thesis discipline and maintaining informed conviction without becoming stubborn.

We will take a collaborative approach to the portfolio, with the portfolio manager and other senior members of the Raine team meeting regularly to discuss investment themes and the positioning of the portfolio. We will conduct daily risk reviews of set portfolio parameters established by us (including gross and net exposure limits, single name limits and subsector exposure limits), with intra-day operational controls and enforcements of these limits. We believe that our existing platform provides both a competitive advantage to the Hedge Fund from an investment perspective (e.g., through differentiated idea generation and diligence) as well as a disciplined investing environment designed to mitigate risk.

We currently expect the Hedge Fund to pursue investments in the TMT sectors incorporating investments in companies involved in mobile, e-payments, content creation, e-commerce, social media, cloud computing, data creation, management, access and security, gaming and the expanding Asian markets. We also currently expect the Hedge Fund to pursue investments focused on special situations, such as monetization of key licenses and patents, unlocking hidden subsidiary value through extraordinary transactions, shifts in the regulatory and tax regimes, and mergers and acquisitions. These strategies are based on our belief and observations about the market and the opportunities that exist therein, and these strategies may evolve or change over time as we continue to evaluate the market.

### General

An investment in a Raine investment vehicle may be deemed speculative and is not intended as a complete investment program. Investing in the securities markets in general and in Raine clients in particular involves significant risk. Investments in Raine clients are appropriate only for experienced and sophisticated persons who meet certain eligibility criteria, are able to bear the risk of loss of some or all of an investment, and have a limited need for liquidity. Please see Item 8.B for additional risks associated with these investments.

### **Item 8.B – Material Risks of Significant Investment Strategies and Methods of Analysis**

As a general matter, Raine utilizes the investment strategies and methods of analysis described in the offering and/or governing documents of the applicable Raine investment vehicle provided to investors prior to the time of an investment. The following is a summary of some of the material risks associated with the significant investment strategies and methods of analysis expected to account for a significant portion of the Raine investment vehicles' investments. This summary does not attempt to describe all of the risks associated with an investment in a Raine investment vehicle. Although no summary can fully describe all of the risks associated with such an investment, the offering and/or governing documents of each Raine investment vehicle contain a more complete description of the risks associated with an investment in such Raine investment vehicle.

**The information contained herein is a summary only and it is critical that investors refer to the offering and/or governing documents of the applicable Raine investment vehicle for a complete overview of Raine's investment strategies and methods of analysis and the material risks associated therewith. The information contained herein is qualified in its entirety by such documents. In addition, prospective investors should also consult their own legal, investment, tax, regulatory and other advisers as to whether an investment in a Raine investment vehicle is appropriate for them.**

**Material Risks Associated with the Raine Investment Vehicles Generally**

*Nature of Investment.* An investment in the Raine investment vehicles involves significant risks, is speculative and volatile, and requires a long term commitment with no certainty of return. There can be no assurance that any investment will meet its investment objectives, or that an investor will receive a return of its capital. The performance of prior investments made by the Raine investment vehicles is not indicative of any expected future results.

*Potential Lack of Diversification.* The Private Equity Funds' investments will be concentrated in the technology, media, entertainment, sports, consumer and lifestyle sectors, and the Hedge Fund's investments will be concentrated in the TMT sectors. Concentration in limited business sectors may involve risks greater than those generally associated with diversified funds, including significant fluctuations in returns based on market perception of the sector. Instability, fluctuation or an overall decline within the technology, media, entertainment, sports, consumer and lifestyle industries, with respect to the Private Equity Funds, and the TMT industries, with respect to the Hedge Fund, will not be balanced by investments in other industries not so affected. In the event that the sectors named above decline as a whole, returns to investors would be adversely affected. While diversification within these sectors is an objective of the Raine investment vehicles, there is no assurance as to the degree of diversification that will actually be achieved in any of the Raine investment vehicles' investments. With respect to the Private Equity Funds, since a Private Equity Fund may only make one or a limited number of investments, and since such investments may involve a high degree of risk, poor performance by one or a few of the investments could significantly reduce the total returns to investors. Furthermore, if a Private Equity Fund co-invests with other third-party private equity funds, an investor may have exposure to a portfolio company through more than one investment fund. With respect to the Hedge Fund, since the Hedge Fund is not restricted as to the percentage of the Hedge Fund's assets that may be invested in any particular market, sector, company or instrument, poor performance of any particular market, sector, company or instrument could have a significant adverse impact on the Hedge Fund's returns as described above. Therefore, an investor should only invest in a Raine investment vehicle as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment.

*Unspecified Investments.* Raine has not identified the particular investments it will make. An investor must rely upon the ability of Raine to make investments consistent with each Raine investment vehicle's investment objectives and policies. A Raine investment vehicle may be unable to find a sufficient number of attractive opportunities to invest its committed capital or assets, or meet its investment objectives.

*Investments in the Media and Entertainment Industries.* Raine expects to make investments in portfolio companies involved in the media and entertainment business. The media and entertainment business is subject to risks of adverse government regulation. Programming services, cable television systems, the Internet, telephony services and satellite carriers are subject to varying degrees of regulation in the United States by the Federal Communications Commission and other entities and in foreign countries by similar entities. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that the business of portfolio companies will not be adversely affected by future legislation, new regulation or deregulation. In addition, competitive pressures within the media and entertainment-related industries are intense, and the securities



of such portfolio companies may be subject to significant price volatility. Because the media and entertainment-related industries are also subject to rapid and significant changes in technology, portfolio companies in these industries may face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete.

*Investments in the Sports Industry.* Raine expects to make investments in portfolio companies involved in the sports industry. In certain instances, such portfolio companies may be highly regulated both by domestic and foreign governmental agencies and by the governing bodies of various sports. Such regulations often involve restrictions on who can own a particular sports team or other sports property, including restrictions on ownership of multiple teams or other property by the same person or its affiliates. Any such regulations (as well as other applicable regulations) may impact the Raine investment vehicles' ability to make an acquisition or disposition of an investment and how the investment is operated.

*Investments in the Consumer and Lifestyle Industries.* Raine expects to make investments in portfolio companies involved in the consumer and lifestyle industries. Like portfolio companies in the sports, media and entertainment industries, portfolio companies in the consumer and lifestyle industries are sensitive to a number of factors that influence the levels of consumer spending, including economic conditions such as recessionary environments, levels of employment, salaries and wage rates, levels of disposable consumer income, consumer debt, interest rates, income tax rates and policies and consumer confidence. Consumer spending is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities, could lead to decrease in spending by consumers. In addition, the consumer and lifestyle industries are highly competitive with few barriers to entry and can change rapidly due to consumer preferences and industry trends.

*Investments in the Technology Industry.* Raine expects to make investments in portfolio companies involved in the technology industry or whose performance may be highly correlated with their ability to successfully implement new technology and/or exploit technologies. Concentration in those industries may involve risks greater than those generally associated with more diversified funds and may experience significant fluctuations in returns. The technology sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. There is no assurance that products or services sold by portfolio companies will not be rendered obsolete or adversely affected by competing products and services or other challenges. Instability, fluctuation or an overall decline within the technology industry may not be balanced by investments in other industries not so affected. In the event that the technology sector declines, returns to investors may decrease.

*Investments in the Telecommunications Industry.* Raine expects to make investments in communications companies. Communications companies in the United States, Europe and other developed and emerging countries are undergoing significant changes mainly due to evolving levels of governmental regulation or deregulation as well as the rapid development of communication technologies. Competitive pressures within the communications industry are intense, and the securities of communications companies may be subject to significant price volatility. In addition, because the communications industry is subject to rapid and significant changes in technology, the companies in this industry that the Raine investment vehicles may invest in will face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete.

*Investments in the Gaming Industry.* Raine expects to make investments in portfolio companies operating in the gaming industry. The gaming industry is highly competitive and these competitive pressures can adversely affect the financial performance of the portfolio companies that the Raine investment vehicles invest in. Gaming represents discretionary expenditures and participation in such

activities may decline when the economic outlook is uncertain and during economic downturns. The gaming industry is subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities have broad powers and may revoke, suspend, condition or limit gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact the business, financial condition and results of operations of a Raine investment vehicle's portfolio companies.

*Business and Market Risks.* The investments made by the Raine investment vehicles may involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

*Market Conditions.* The Raine investment vehicles will be materially affected by conditions in the financial markets and economic conditions throughout the world, including interest rates, availability and terms of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances. Difficult market conditions may adversely affect a Raine investment vehicle by reducing the value or performance of its investments or by reducing its ability to raise or deploy capital, each of which could negatively impact the returns to investors. Market conditions surrounding the business of the Raine investment vehicles are subject to change. For example, financing for investments (including financing leveraged buyout transactions by issuing high-yield debt securities in the public capital markets) has recently become more costly and restrictive than previously was the case. More costly and restrictive financing may, in turn, adversely impact a Raine investment vehicle's investments and the returns of investors.

*Minority Investments.* A Raine investment vehicle may invest in minority positions of portfolio companies and in portfolio companies for which the Raine investment vehicle has no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Raine investment vehicle will significantly rely on the existing management and board of directors of such portfolio companies, which may include representation of other financial investors with whom the Raine investment vehicle is not affiliated and whose interests may conflict with the interests of the Raine investment vehicle.

*Non-U.S. Investments.* A Raine investment vehicle may make investments outside of the United States and Canada, including in certain emerging foreign markets. Investments in the securities of foreign issuers may be restricted or controlled to varying degrees. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, potential price volatility in, and relative illiquidity of, some non-U.S. securities markets, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or foreign governments, U.S., foreign or other withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations. Laws and regulations of foreign countries may impose restrictions that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States, and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform

as, those of U.S. companies. Certain countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular company or restrict investment by foreign persons to a specific class of securities of a company that may have less advantageous terms than the classes available for purchase by nationals. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. A Raine investment vehicle could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application to the Raine investment vehicle of restrictions on investments. In addition, because a Raine investment vehicle's investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may result in a corresponding change in the U.S. dollar value of the Raine investment vehicle's assets denominated in those currencies.

*Risk of Leverage.* A Raine investment vehicle may borrow funds to pay expenses, to make new or follow-on investments, or to make payments under guarantee, surety or hedging transactions. The use of borrowed funds creates the opportunity for greater total returns, but at the same time involves certain risks. Because any decline in the value of a Raine investment vehicle's investments would be borne entirely by investors, the effect of leverage in a declining market would result in a greater decrease in capital than if the Raine investment vehicle were not leveraged.

In respect of the Private Equity Funds, since a Private Equity Fund generally will pay principal of, and interest on, its borrowings prior to making any distributions to investors, an increase or decrease in capital or income of the Private Equity Fund will have an increased effect on the returns to investors.

In respect of the Hedge Fund, leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged and entering into other forms of direct or indirect borrowings. The amount of leverage or borrowings that the Hedge Fund may have outstanding at any time could be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which the Hedge Fund can borrow in particular, will affect the Hedge Fund. In general, the Hedge Fund's use of short-term margin borrowings or equivalent financing results in certain additional risks to the Hedge Fund. For example, should the securities pledged to brokers to secure the Hedge Fund's margin accounts decline in value, the Hedge Fund could be subject to a "margin call," pursuant to which the Hedge Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Hedge Fund's assets, the Hedge Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

A Raine investment vehicle's investments may be in portfolio companies whose capital structures have significant leverage. Although the General Partner or Managing Member, as applicable, will seek to use leverage in a prudent manner, the leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio companies or their industries. The incurrence of significant indebtedness could also subject such portfolio companies to restrictive covenants, terms and conditions the violation of which would be viewed by creditors as an event of default and which could require the prepayment of debt using excess cash flow and limit such portfolio companies' ability to respond to changing industry conditions, make necessary capital expenditures, obtain additional financing, take advantage of growth opportunities or engage in strategic acquisitions.

*Hedging Policies and Risks; Synthetic Investments.* In respect of the Private Equity Funds, in connection with the financing of certain investments, a Private Equity Fund may employ hedging techniques designed to reduce the risks of such investments. Also, the Hedge Fund may utilize a variety of financial instruments such as derivatives, options, swaps, caps and floors, forward contracts and futures contracts, both for investment purposes and for risk management purposes. While a Raine investment

vehicle may enter into such transactions to seek to reduce risks (including, without limitation, adverse movements in interest rates, securities prices and currency exchange rates), the Raine investment vehicle is not required to employ such hedging techniques in connection with its investments, and may be unable to anticipate all risks against which such hedges could be employed. In addition, such transactions have inherent risks associated with them, including the possible default by the counter-party to the transaction and the illiquidity of the instrument acquired by the Raine investment vehicle relating thereto. Although such transactions may reduce the Raine investment vehicle's exposure to, among other things, currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements may reduce the returns that the Raine investment vehicle would have otherwise achieved if these transactions were not entered into by the Raine investment vehicle. In addition, although such hedging transactions may hedge economic risks, they may not be effective hedges for tax purposes. For example, the tax character of the gain or loss on the hedging transaction may differ from the character of the gain or loss on the investment or the timing of the gain or loss for tax purposes may differ between the hedging transaction and the investment.

With respect to any investments in synthetic instruments, a Raine investment vehicle will have a contractual relationship only with the synthetic instrument counterparty, and no direct rights with respect to the underlying asset. The Raine investment vehicle may not have any voting, information, or other rights of ownership with respect to the underlying asset. In addition, the Raine investment vehicle will be subject to the credit risk of the synthetic instrument counterparty, and, in the event of the insolvency of such counterparty, the Raine investment vehicle generally will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the underlying asset.

*Reliance on the Management of Portfolio Companies.* Although Raine will attempt to invest in portfolio companies with strong management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully. Instances of fraud and other deceptive practices committed by the management team of portfolio companies in which the Raine investment vehicles have an investment may undermine Raine's due diligence efforts with respect to such companies. If such fraud is discovered, it could adversely affect the valuation of the Raine investment vehicles' investments and may contribute to overall market volatility that can negatively impact the Raine investment vehicles' investment portfolio.

*Material Non-Public Information.* By reason of their responsibilities in connection with their other activities, the Raine Group, its affiliates and certain of the key professionals may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The Raine investment vehicles will not be free to act upon any such information. Due to these restrictions, the Raine investment vehicles may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

*Extensive Government Regulation.* The extensive government regulation of certain industries in which the Raine investment vehicles may invest creates additional uncertainty and risks for the Raine investment vehicles. Obtaining regulatory approval may be a lengthy and expensive process with an uncertain outcome. Portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, and the failure to obtain approval could have a material, adverse effect on the success of the portfolio companies.

*Increased Regulatory Scrutiny.* The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory oversight. Such scrutiny may increase Raine's and the Raine investment vehicles' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on Raine, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert Raine's time, attention and

resources from portfolio management activities. It is anticipated that, in the normal course of business, Raine's officers will have contact with governmental authorities and/or be subjected to responding to inquiries or examinations. The Raine investment vehicles may also be subject to regulatory inquiries concerning their securities positions and trading. Any such regulation, including changes to the tax code, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio investments, operating and effecting restructurings of portfolio companies and operating the Raine investment vehicles. Regulation could also increase the risk of third-party litigation. The transactional nature of the Raine investment vehicles' business exposes the Raine investment vehicles, Raine and its affiliates generally to the risks of third-party litigation. Under their respective governing agreements, the Raine investment vehicles will generally be responsible for indemnifying Raine and its affiliates for costs they may incur with respect to such litigation.

*Material Risks of Significant Methods of Analysis.* Raine seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, Raine relies on available resources, including information provided by the target of the investment and, in some circumstances, third-party investigations. As a result, the due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, Raine cannot be certain that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. Also, Raine cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment.

Raine will generally establish the capital structure of an investment and the terms and base case projections of such investment on the basis of financial, macroeconomic, and other applicable projections. Projected operating results will normally be based primarily on investment professional judgments or third-party advice and reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General economic, natural, and other conditions, which are not predictable, can have an adverse impact on the reliability of such projections. Valuation models used to determine whether a position presents an attractive opportunity may become outdated and inaccurate as market conditions change. Assumptions or projections about asset lives; the stability, growth, or predictability of costs; demand; or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results.

#### **Material Risks Associated with the Private Equity Funds**

In addition to the material risks generally associated with the investment program of the Raine investment vehicles, the following material risks are some of the additional material risks associated with the investment program of the Private Equity Funds.

*Improvements in Portfolio Companies.* In many cases, the success of Raine's investment strategy will depend, in part, on Raine's ability to restructure and effect improvements in the operations of the portfolio companies held by the Private Equity Funds. Identifying and implementing potential operating improvements involves a high degree of uncertainty, and there can be no assurance that Raine will be able to successfully identify and implement these improvements.



*Competition for Investments.* A Private Equity Fund may encounter competition from entities having similar investment objectives. Potential competitors include other investment funds, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Certain of these entities may possess competitive advantages over the Private Equity Funds in bidding for investments, including greater financial, technical, marketing and other resources, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to the Private Equity Funds as well as an ability to achieve synergistic cost savings in respect of an investment. In addition, a substantial number of private equity and venture capital funds have been formed over the past several years, and many funds are substantial in size, resulting in an unprecedented amount of capital available for private equity and venture capital investment.

*Illiquidity; Market for Investments.* There will be no public market for certain of the Private Equity Funds' investments in privately held entities, and a Private Equity Fund's ability to dispose of any investment will in many cases be further limited by the agreements in connection with such investments. The ability of a Private Equity Fund to sell or distribute securities and to realize investment gains will depend, in large part, upon favorable market conditions, including receptiveness to initial public offerings for the portfolio companies in which the Private Equity Fund invests and an active mergers and acquisitions market. Initial public offering, merger and acquisition or other divestment opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, which are illustrative and not exhaustive, a Private Equity Fund will generally not be able to realize on an investment in a privately held entity until the sale of such entity. There can be no assurance that a Private Equity Fund will be able to dispose of its investments at the price and at the time it wishes to do so. Furthermore, such illiquidity may continue even if the underlying entities obtain listings on securities exchanges.

*General Cash Flow Risks.* The principal investment objective of the Private Equity Funds will be to make investments in entities with prospects for capital appreciation. It is anticipated that certain of the entities in which a Private Equity Fund will invest will be leveraged and will likely not provide the Private Equity Fund with any significant cash distributions until the underlying property is sold or refinanced. Accordingly, a Private Equity Fund will likely not be able to make any significant cash distributions to investors other than in connection with the liquidation of its investments.

*Investments in Early-Stage and New Companies.* A Private Equity Fund, and in particular the Raine Venture Fund, may invest all or a portion of its assets in the securities of early stage companies or entirely new companies. Investments in such early stage or newly formed companies may involve greater risks than generally are associated with investments in more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Many of these portfolio companies will need substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies also may have shorter operating histories on which to judge future performance, have untested management, and in many cases, if operating, will have negative cash flow. Start-up enterprises may not have significant or any operating revenues and any such investment should be considered highly speculative and may result in the loss of the applicable Private Equity Fund's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on the applicable Private Equity Fund's other investments. There may be no readily available market for the applicable Private Equity Fund's investments, many of which may be difficult to value. Such portfolio companies may also face intense competition, including from companies with greater financial resources, more extensive marketing and service capabilities and a larger number of qualified personnel.

Moreover, the portfolio companies described above may have significantly fewer products, services or clients than more established companies, and competition to such portfolio companies may develop from other new and existing companies, products and services. If a portfolio company is dependent on a limited number of products or services or the business of a limited number of clients, the

consequences of failure of such products or services or the loss of such clients could be devastating to the prospects of such portfolio company, which in turn could negatively affect the performance of the applicable Private Equity Fund.

*Third Party Involvement.* A Private Equity Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Private Equity Fund or may be in a position to take (or block) action in a manner contrary to the Private Equity Fund's investment objectives. In addition, a Private Equity Fund may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

*Bridge Financings.* From time to time, a Private Equity Fund may lend to portfolio companies on a short term, unsecured basis in anticipation of a future issuance of equity or long term debt securities. Such bridge loans would typically be convertible into a more permanent, long term security. However, for reasons not always in the Private Equity Fund's control, such long term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Private Equity Fund.

*Highly Structured Investments.* A Private Equity Fund may invest all or a portion of its assets in highly structured investments, including mezzanine debt securities and distressed debt securities and the securities of portfolio companies that are experiencing financial difficulties. Such securities may have high credit and liquidity risk, have ratings below investment grade and be more sensitive to adverse economic and business developments than other securities. Distressed portfolio companies may require substantial additional capital to improve their financial condition, have higher amounts of leverage and may become involved in insolvency proceedings, which could increase volatility and could adversely affect the performance of the applicable Private Equity Fund.

*Investments in Restructurings.* A Private Equity Fund may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio companies to become subject to bankruptcy proceedings. Investments in restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions. Such investments could, in certain circumstances, subject the Private Equity Fund to certain additional potential liabilities that may exceed the value of the Private Equity Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its 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 a Private Equity Fund and distributions by a Private Equity Fund to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws.

*Investments in Operating Turnarounds.* In some cases, the success of a Private Equity Fund's investment strategy will depend, in part, on the ability of the Private Equity Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Private Equity Fund will be able to successfully identify and implement such restructuring programs and improvements.

*Risks Associated with Publicly-Traded Securities.* A Private Equity Fund may invest in publicly-traded securities, and may hold publicly-traded securities following a partial exit from an investment. A Private Equity Fund's investments in securities of publicly-traded companies may be sensitive to movements in the stock market and trends in the overall economy. Moreover, the ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

*Availability of Financing.* A Private Equity Fund's ability to invest in portfolio companies may depend on the availability and terms of any borrowings that are required or desirable with respect to such investments. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior or subordinated financings for transactions. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, would impair the Private Equity Fund's ability to consummate these transactions and would adversely affect the Private Equity Fund's returns.

*Additional Capital Requirements of Portfolio Companies.* Certain portfolio companies, especially those in a development or "platform" phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Private Equity Funds or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including the Private Equity Funds. In addition, a Private Equity Fund may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Private Equity Fund's proportionate ownership when a subsequent financing is planned, or to protect the Private Equity Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Private Equity Funds or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

*Asset Valuations.* With certain limited exceptions, valuations of current income and disposition proceeds with respect to a Private Equity Fund's investments will be determined by the General Partner or the Managing Member, as applicable, in its sole discretion and will be final and conclusive for all Private Equity Funds. The Private Equity Funds may not provide periodic pricing or valuation information to investors with respect to their investments.

*Reserves.* The General Partner of a Raine PE Fund may establish reserves for follow-on investments by the applicable Raine PE Fund in portfolio companies, operating expenses, liabilities and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to investors in the applicable Raine PE Fund. If reserves are inadequate, the applicable Raine PE Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with so-called "pay-to-play" or similar provisions. If reserves are excessive, the applicable Raine PE Fund may decline attractive investment opportunities.

*Liabilities Upon Disposition.* In connection with the disposition of an investment in a portfolio company, a Private Equity Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business 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 the Private Equity Fund. In that regard, investors may be required to return amounts distributed to them to fund such obligations, including indemnity obligations. Furthermore, under the Delaware Revised Uniform Limited Partnership Act and the Delaware Limited Liability Company Act, each investor that receives a distribution in violation of such Acts will, under certain circumstances, be obligated to remit such distribution to the Private Equity Fund.

### **Material Risks Associated with the Hedge Fund**

In addition to the material risks generally associated with the investment program of the Raine investment vehicles, the following material risks are some of the additional material risks associated with the investment program of the Hedge Fund.

***Illiquid Investments.*** Although Raine generally expects the Hedge Fund to make investments in liquid securities, the Hedge Fund may make investments in restricted securities (e.g., in connection with an IPO) or market and other conditions may create illiquidity not anticipated by Raine. Accordingly, the Hedge Fund may not be able to readily dispose of such investments nor is there any guarantee that the Hedge Fund will be able to realize what Raine believes to be the fair value of the assets in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, in times of extreme market disruption, there may be no market at all for one or more asset classes, potentially resulting in the inability of the Hedge Fund to dispose of its assets for an indefinite period of time. An investment in the Hedge Fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

***Short Selling.*** The Hedge Fund's investment program includes short selling. Short sales may be made, for example, if Raine believes the securities or instruments are overpriced relative to their intrinsic or fundamental value or to other securities or indices that may provide a hedge, or are expected to depreciate in value due to a catalyzing event or change in circumstances. In addition, short positions may be taken if, in the view of Raine, such positions will reduce the risk inherent in taking long positions. The extent to which the Hedge Fund engages in short sales will depend upon its investment strategy and perception of market direction. An uncovered short sale of an instrument involves the risk of an increase in the market price of the instrument which could result in an inability to cover the short position or a substantial and theoretically unlimited loss, while the prospective gain on such short sale generally is limited to the proceeds of such sale. There can be no assurance that the Hedge Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Hedge Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). Furthermore, there can be no assurance that securities or instruments necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The rules affecting short sales in the U.S. and other jurisdictions are constantly evolving in ways that have restricted or may restrict the ability of the Hedge Fund to engage in short-selling. It is impossible to predict what, if any, changes to the rules affecting short sales may occur in the future, but any new regulation could have a materially adverse impact on the ability of the Hedge Fund to achieve its investment strategy.

***Options.*** The Hedge Fund may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option

may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option. The Hedge Fund may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. OTC options may also expose the Hedge Fund to counterparty risk.

*Swap Agreements.* The Hedge Fund may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Hedge Fund's exposure to long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swap agreements can take many different forms and are known by a variety of names. The Hedge Fund is not limited to any particular form of swap agreement if consistent with its investment objectives and policies.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Hedge Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency or other factors that determine the amounts of payments due to and from the Hedge Fund. If a swap agreement calls for payments by the Hedge Fund, the Hedge Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Hedge Fund.

*Other Derivative Instruments.* The Hedge Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Hedge Fund and legally permissible. Special risks may apply to instruments that are invested in by the Hedge Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Hedge Fund. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Certain derivative instruments (including options, swaps and other instruments) may be treated for U.S. federal income tax purposes as giving rise to dividend equivalent payments subject to U.S. withholding tax to the extent paid to or allocated to foreign persons, including the Offshore Feeder. In certain circumstances such withholding taxes may become due retroactively as a result of events that occur after the date such derivatives are entered into, and the gross dividend equivalent payments subject to withholding tax may exceed the net amount of payments due to the Hedge Fund.

*Highly Volatile Investments.* The prices of derivative instruments, including futures and options, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Hedge Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because

of, among other things, interest rate fluctuations. The Hedge Fund also is subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

*Arbitrage.* Risk arbitrage typically involves the purchase and/or sale of a position in a security subject to a merger, acquisition, an exchange offer, tender offer, reorganization, liquidation or other corporate event. In a typical transaction, the Hedge Fund may seek to profit from the “spread” between the current market price and the amount to be realized if the corporate event occurs. If the Hedge Fund purchases the target company’s shares, which are to be exchanged for shares of the acquiring company, the Hedge Fund may seek to offset, wholly or partially, the purchase with the use of options or other derivatives or a short sale of shares of the acquiring company’s stock to seek to reduce general market risks and risks specific to the acquiring company. The Hedge Fund will remain subject to the risks that the corporate event does not occur or that hedging is imperfect. The consummation of mergers, acquisitions, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Risk arbitrage success is largely dependent upon the ability of Raine to correctly analyze the outcome and the completion date of the proposed transaction. In the event the proposed transaction is not consummated, the value of the securities held by the Hedge Fund (which typically are purchased at a significant premium to the preannouncement market price) may decline significantly.

*Asset Valuations.* In the event the Hedge Fund holds securities or other instruments for which no (or only a limited) liquid market exists, the Hedge Fund will be required to resort to other pricing methodologies, including for example third party valuation experts and/or models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of an investment. Such methodologies may not prove to be accurate and the Hedge Fund’s inability to price securities or assets accurately may result in adverse consequences for the Hedge Fund.

*Operational Risk.* The Hedge Fund depends on the Manager to develop the appropriate systems and procedures to control operational risk. Operational risks arising from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Hedge Fund’s operations may cause the Hedge Fund to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention or reputational damage. The Hedge Fund relies heavily on its financial, accounting and other data processing systems. Any failure of these systems could also adversely affect the Hedge Fund’s performance.

*Trade Errors.* On occasion, trade errors may occur with respect to trades executed on behalf of the Hedge Fund. We will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. The Hedge Fund will initially use an outsourced trading firm, which firm has agreed to indemnify the Hedge Fund for any trading errors committed by such firm, but there can be no assurance that the Hedge Fund will be able to collect on such indemnity. To the extent an error is caused by another third party, such as a broker, we will strive to recover any losses associated with the error from such third party. In the absence of recovery from a third party as described above, we will determine whether any trade error has resulted from gross negligence on our part, and, unless we find that to be the case, any losses will be borne by (and any gains will benefit) the Hedge Fund. Given that the Private Equity Funds do not typically make investments in listed companies, we do not anticipate that trade errors will occur with respect to investments made by the Private Equity Funds.

### **Item 8.C – Particular Securities**

Raine does not recommend investments in a particular type of security. The types of securities in which a Raine investment vehicle invests and the material risks associated therewith are described in the offering and/or governing documents of the applicable Raine investment vehicle provided to investors prior to the time of an investment. Item 8.B provides a summary of certain material risk associated with an investment in the Raine investment vehicles. The information contained in Item 8.B is a summary only and investors should refer to the offering and/or governing documents of the applicable Raine investment vehicle for a complete overview of the types of securities Raine recommends and the material risks associated therewith.

### **ITEM 9 – DISCIPLINARY INFORMATION**

Neither Raine nor any of its executive officers, members of its investment committee, portfolio manager, managing partner or other “management persons” as defined in Form ADV has been subject to the legal or disciplinary events related to this Item or otherwise is required to disclose any event required by this Item.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Item 10.A – Broker-Dealers**

Raine is not registered, and does not have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. As discussed separately in this Brochure, Raine Securities LLC is a registered broker-dealer and Raine Advisors Limited is an Appointed Representative and tied agent of Sapia Partners LLP, a firm which is authorized and regulated by the FCA. The following management persons of Raine are registered representatives of Raine Securities LLC: Joseph Ravitch, Jeffrey Sine, Brandon Gardner, John Salter and Peter Vassilev.

#### **Item 10.B – Futures and Commodity Trading**

Not applicable.

#### **Item 10.C – Material Relationships**

Raine is an affiliate of Raine Securities LLC, a broker-dealer registered with the SEC and a member of FINRA.

Additionally, Raine is an affiliate of Raine Advisors Limited, an Appointed Representative and tied agent of Sapia Partners LLP, a firm which is authorized and regulated by the FCA to carry out regulated business activities in the UK and is permitted to commence cross border service business in certain countries within the European Economic Area (“EEA”). Raine Advisors Limited and its affiliates are not affiliated with Sapia Partners LLP. Such regulated business activities in the UK and EEA of Raine Advisors Limited may include mergers and acquisitions advisory services, private placement of securities and arrangement of debt. As a result, many of the disclosures related to the Raine broker-dealer are also applicable to Raine Advisors Limited.

The Raine broker-dealer and its affiliates may provide a broad spectrum of financial advisory and consulting services to certain portfolio companies of one or more Raine investment vehicles, including investment banking, lending, financial and merger and acquisition advisory services, underwriting, acting as selling group participant, acting as private placement agent, business consulting and similar activities. The Raine broker-dealer and its affiliates may also provide such services to a third-party in whom a Raine investment vehicle subsequently acquires an interest. Raine may receive significant advisory or other fees

for such services. The Raine broker-dealer and its affiliates also may act as placement agent for the Raine investment vehicles in certain jurisdictions (although no commissions or other compensation is received by the Raine broker-dealer or its affiliates for such services) and may act as an agent in connection with secondary sales of securities of a portfolio company. Raine may also source investment opportunities for the Raine investment vehicles from the Raine broker-dealer and its affiliates' financial services businesses. The Raine broker-dealer and its affiliates do not otherwise execute transactions on behalf of the Raine investment vehicles. No Raine investment vehicle will share in any fees or other benefits that may accrue to the Raine broker-dealer and its affiliates for its role in any transaction.

The relationship Raine has with the Raine broker-dealer may give rise to a material conflict of interest between the Raine broker-dealer, on the one hand, and Raine and/or a Raine investment vehicle, on the other. In particular, the Raine broker-dealer may have a financial incentive to recommend transactions that are not in the best interests of Raine's clients. Also, the principals and/or management persons spend time managing and working on the activities of the Raine broker-dealer and its affiliates, which could impact their ability to devote time to the activities of the Raine investment vehicles. The relationship between Raine and the Raine broker-dealer may also give rise to a material conflict of interest between Raine, on the one hand, and a Raine investment vehicle, on the other. Raine may be incentivized to seek to influence the decision by a portfolio company's management to retain the Raine broker-dealer, or to otherwise transact with the Raine broker-dealer, in favor of other unaffiliated broker-dealers or other service providers or counterparties that may be more appropriate or offer better terms. Raine may also be incentivized to structure portfolio company transactions so that they require the use of a broker-dealer (and consequently provide an opportunity for the Raine broker-dealer to be retained by a portfolio company and generate fees or other compensation). In addition, Raine may be incentivized to cause clients to participate in a transaction in which they otherwise would not participate if the Raine broker-dealer or its affiliates would benefit from the transaction. In addition, Raine's senior investment professionals may also serve as members of the boards of directors of various companies that could engage in transactions which would be suitable for the Raine investment vehicles, but in which one or more of such Raine investment vehicles might not be able to invest due to the involvement of the Raine senior investment professionals with such companies. Conflicts may arise as a result of such activities.

Raine has internal policies and procedures designed to address these conflicts of interest, including (i) requiring all employees to agree to abide by the terms of Raine's Code of Ethics which, as described in Item 11, sets forth Raine's status as a fiduciary and requires employees to act in the best interest of the advisory clients and to place the interests of advisory clients ahead of their own and those of Raine, (ii) establishing information barriers where appropriate to alleviate potential conflicts of interest, and (iii) providing training to employees who may be exposed to these potential conflicts of interest. Furthermore, Raine employs a robust investment review process that it believes mitigates and alleviates the conflicts of interest described above. With respect to the Raine PE Funds, each Raine PE Fund has a limited partner advisory committee whose members consist of certain investors who are not affiliated with Raine or its affiliates. With respect to the Hedge Fund, the Hedge Fund may establish a limited partner advisory committee whose members consist of certain investors who are not affiliated with Raine or its affiliates. In accordance with the governing agreements of the applicable Raine investment vehicle or on a voluntary basis, a General Partner may consult with and/or seek the assistance of the limited partner advisory committee in resolving conflicts of interest.

Raine provides investment advisory services to, and it and its affiliates serve as sponsors of, the Private Equity Funds and the Hedge Fund, and may, in the future provide investment advice to and/or serve as sponsors of affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. The General Partners and the Managing Members are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to Raine Capital LLC's registration. These affiliated investment advisers operate as a single advisory business together with Raine Capital LLC, are under common control and are subject to Raine Capital LLC's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.



Please refer to Item 11 for a discussion of the potential conflicts of interest that may arise as a result of such activities and relationships and the policies and procedures Raine has adopted to address these conflicts.

#### **Item 10.D – Other Investment Advisors**

Not applicable.

### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **Item 11.A – Code of Ethics**

Raine’s Code of Ethics (the “Code”) is designed to meet the requirements of Rule 204A-1 of the Advisers Act. The Code applies to Raine’s “Access Persons.” Access Persons include, generally, any partner, officer or director of Raine and any employee or other supervised person of Raine who, in relation to Raine’s advisory clients, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All of Raine’s employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Raine’s status as a fiduciary and requires Access Persons to place the interests of advisory clients above their own interests and the interests of Raine. Access Persons must not take any inappropriate advantage of their positions. The Code requires Access Persons to comply with applicable securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Peter Vassilev, Raine’s Chief Compliance Officer (the “Chief Compliance Officer”). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide Raine’s Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and periodic account statements, transaction confirmations and any other information reflecting account or transactional activity in accordance with Advisers Act Rule 204A-1.

The Code also describes Raine’s duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) Raine’s clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of Raine who possess non-public information, whether or not it is material, must not trade in the securities affected by such information and must not disclose such information to anyone who does not have a legitimate need to know it. As discussed under Item 11.C, Raine maintains a Restricted List to track securities of such issuers.

Investors or prospective investors may obtain a copy of the Code by contacting the Chief Compliance Officer at (212) 603-5500 or [legal@raine.com](mailto:legal@raine.com).

#### **Item 11.B – Participation or Interest in Client Transactions**

Raine provides ongoing portfolio management and investment advisory services to Raine clients. As part of providing such services, Raine is responsible for monitoring and managing each Raine client’s investment portfolio in accordance with its particular investment objectives, broader investment themes,

limitations and guidelines (including portfolio concentration and other limits), and as set forth in the applicable governing agreements. Raine also complies with restrictions provided in the applicable governing agreements relating to principal transactions or other affiliated transactions, in which Raine or its personnel may have interests that are not aligned with the interests of one or more of its clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. Raine or its related persons, as principal, may buy securities from or sell securities to its clients. This practice could create a conflict of interest because Raine or a related person may have an incentive to buy securities from or sell securities to Raine clients based on its own financial interests, rather than solely the interests of the client. Raine and its related persons, however, generally do not trade securities on a principal basis with Raine clients. To the extent that Raine and/or its related persons engage in principal securities transactions, any such transaction will comply with the policies described below.

An agency cross transaction is generally defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction (which could include another advisory client). The potential for agency cross transactions, or other conflicts of interest, arises given our affiliation with the Raine broker-dealer. For example, in the course of conducting its business, the Raine broker-dealer and its affiliates may act as broker-dealer or agent in executing securities transactions for its clients and other persons, which may include Raine's clients. In addition, Raine's clients may invest in portfolio companies that are clients of the Raine broker-dealer and its affiliates, and the Raine broker-dealer and/or such affiliates may be entitled to a fee in respect of such investment. As a result, a conflict of interest may exist between Raine's clients, on the one hand, and the Raine broker-dealer and/or its affiliates, on the other hand. As described in this Brochure, Raine has established policies and procedures reasonably designed to mitigate such conflicts of interests.

In addition, agency cross transactions may occur where an adviser executes a securities transaction between two (or more) of its managed client accounts. Cross transactions may benefit clients because they can avoid transaction fees that might otherwise apply had the buy and the sell transaction been exposed to potential market transaction fees. However, they also can create conflicts of interest because, by not exposing such buy and sell transactions to market forces, clients may not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling underperforming assets to another fund in order, for example, to earn higher fees in the aggregate.

It is Raine's policy not to execute any principal or agency cross transactions for Raine client accounts unless Raine deems the transaction to be in the best interest of a particular Raine client, Raine's client and the Chief Compliance Officer give prior consent, and the transaction complies with the "notice and consent" requirements of Section 206(3) of the Advisers Act. Raine also generally refrains from cross trading between Raine client accounts unless the consent of both Raine clients is obtained or the Chief Compliance Officer approves the transaction based on special circumstances.

Subject to certain terms and conditions, on occasion and to the extent permitted by law and specific Raine policies, Raine may effect rebalancing transactions between one Raine client and another Raine client pursuing similar investments. In such case, a Raine client may purchase a security held by another Raine client or may sell a security to another Raine client. Raine will not undertake a rebalancing transaction with a Raine client if it determines, in its sole discretion, that such a transaction is not in the best interests of the Raine clients involved. Raine effects these transactions based on the then-current independent market price and consistent with valuation procedures established by Raine. Neither Raine nor any of its affiliates receive any compensation in connection with such rebalancing transactions. These rebalancing transactions generally will be effected without brokerage commissions being charged. To the extent that such transactions may be viewed as principal transactions due to Raine's or its affiliates'

ownership interest in a particular Raine client, Raine will either not effect such transaction or comply with the requirements of Section 206(3) of the Advisers Act, including that Raine will notify the Raine client.

The Raine Group, the principals, certain Raine employees, and certain business associates and other “friends and family” of the key professionals currently invest and may in the future invest directly or indirectly in one or more Raine investment vehicles. Such investments generally are not subject to the management or performance-based fees described in Items 5 and 6 above. The fact that the Raine Group, the principals and certain employees have financial ownership interests in certain Raine investment vehicles creates a potential conflict in that it could cause Raine to make different investment decisions than if such parties did not have such financial ownership interests. Raine carefully considers the risks involved in any investments and Raine provides extensive disclosure to investors regarding the potential risks that come with an investment in the Raine investment vehicles.

Raine or its affiliates may, from time to time, receive fees or other payments in respect of investments completed by certain Raine investment vehicles, such as deal fees, monitoring fees or transaction fees. Such parties may also receive “break-up” fees and other compensation with respect to portfolio company investments (including unconsummated investments). Such fees are not dependent on the performance of the investment, and may create a conflict of interest between Raine and its clients. To address this potential conflict, a certain portion of these fees generally offset the management fees paid by the Raine clients to Raine. In addition, as described in more detail in Item 10.C, Raine has internal policies and procedures designed to address conflicts of interest, employs a robust investment review process that it believes mitigates and alleviates conflicts of interest, and, with respect to the Raine PE Funds, each Raine PE Fund has a limited partner advisory committee which in accordance with the governing agreements of the respective Raine PE Fund or on a voluntary basis the General Partner may consult in seeking to resolve any conflicts of interest. The Hedge Fund may establish a limited partner advisory committee for a similar purpose.

Employees and Senior Advisors of Raine may serve on the boards of, serve as employees of, or otherwise be retained as consultants by portfolio companies of Raine clients. Since Raine may be reimbursed for certain compensation and other fees and expenses that relate to the employment of certain expected portfolio company employees or retention of certain Senior Advisors or consultants, Raine could have a conflict of interest in connection with the applicable Private Equity Fund’s initial investment in such portfolio company and the resulting reimbursement of such amounts. In addition, as a result of the Private Equity Funds’ interests in portfolio companies, Raine typically has the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of compensation for board members, portfolio company employees and/or consultants retained by portfolio companies, including the Senior Advisors. Serving on a portfolio company board may give rise to conflicts to the extent that a Raine employee’s (or Senior Advisor’s) fiduciary duties to a portfolio company as a director may conflict with the interests of the Raine clients that are invested in such portfolio companies. Employees and Senior Advisors may receive directors’ fees for serving on the board of directors of a portfolio company or compensation and expense reimbursement in connection with employment or consulting services, which may be retained in whole or in part by the relevant employee or Senior Advisor. In addition, portfolio companies of Raine clients may, from time to time, make discounts and other benefits available to employees in connection with products or services offered by such companies.

Certain investors that have committed or contributed, and may in the future commit or contribute, significant capital to certain Raine investment vehicles hold an interest in the Raine Group and are therefore entitled to indirectly receive a portion of the management and performance fees from the Raine clients. These arrangements are not available to other investors in the Raine clients that have not entered into comparable arrangements with the Raine Group. In addition, Raine may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Raine clients. Additionally, Raine and/or its personnel may maintain relationships with (or may invest in)



financial institutions or other service providers, some of which may invest (or may be affiliated with an investor) in, engage in transactions with and/or provide services to, Raine, and/or Raine's clients.

Raine and its affiliates have a material financial interest with respect to fees paid by Raine clients. Management fees are payable without regard to the overall success or income earned by the Raine clients and may create an incentive on the part of Raine to raise or otherwise increase assets under management to a higher level than would be the case if Raine were receiving a lower or no management fee. The performance-based fees (i.e., carried interest and incentive allocation) may create an incentive for Raine to make investments that are riskier or more speculative than in the absence of such fees.

To the extent that one or more Raine investment vehicles invest in the same securities of the same issuer, Raine will generally seek to ensure that all participants in such investment participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and one or more Raine investment vehicles may participate in such investments on different and potentially less favorable terms than other participants if Raine deems such participation as being otherwise in the best interests of the participating Raine clients. This may have an adverse impact on one of the participating Raine clients.

Raine provides investment advisory services to, and it and its affiliates serve as sponsors of, both the Private Equity Funds and the Hedge Fund, and may, in the future provide investment advice to and/or serve as sponsors of affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. In accordance with Raine's internal policies and procedures, as well as the governing agreements of the Raine investment vehicles, Raine seeks to allocate investment opportunities among its clients in a fair and equitable manner, bearing in mind, among other things, the terms related to investment allocation of each relevant Raine investment vehicle's governing agreements as well as the size, investment objectives, risk tolerance, return targets, permissible and preferred asset classes and liquidity needs. Under certain circumstances, certain persons, including existing investors, may be permitted to co-invest directly in a particular portfolio company. Under no circumstances may Raine or an affiliate allocate investment opportunities based on anticipated compensation or profits to Raine, the Raine broker-dealer or any of their affiliates or employees. In addition, Raine and its professionals intend to devote such time as shall be necessary to conduct the business affairs of the Raine clients in an active and appropriate manner. However, investors should be aware that many of the investment professionals that devote a portion of their time conducting the business and affairs of the Raine investment vehicles have significant other responsibilities to Raine and its affiliates, and accordingly, are obligated to spend a portion of their professional time on other clients of Raine and the Raine Group.

Raine has policies and procedures in place to address all of these potential conflicts of interest as described in this Item 11.B and as further described in Item 10 above.

### **Item 11.C – Personal Trading**

Access Persons of Raine are permitted to make securities transactions in their personal accounts. This presents potential conflicts in that an Access Person could make improper use of information regarding a Raine client's holdings or future transactions or research paid for by the Raine clients. An Access Person could take for himself or herself an investment opportunity available to a Raine client or could engage in "front-running" of a Raine client's investment.

Raine manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code which contains strict pre-clearance and reporting guidelines for Access Persons. Raine requires that Access Persons pre-clear all securities transactions in their personal accounts, other than in respect of investments in open-end mutual funds and other similar investment vehicles. Generally, except in certain limited circumstances, trades of securities in or substantially related to the

technology, media and telecommunications (TMT) sectors are not approved other than (i) the sale of positions held at the commencement of employment with Raine at a time when there is not and would not appear to be a conflict of interest, (ii) the automatic exercise of in-the-money options immediately prior to their expiration and (iii) other extraordinary circumstances. Requests for pre-clearance are reviewed for potential conflicts of interest with the Raine clients. In addition, Raine Access Persons are prohibited from purchasing IPOs.

Raine maintains a “Restricted List” which includes, among others, the names of issuers of securities about which Raine or its affiliates (including Access Persons) have learned material, non-public information, or who have retained Raine or its affiliates as a financial advisor in a material, public transaction. Access Persons are strictly prohibited from trading securities on the Restricted List.

#### **Item 11.D – Personal Trading Contemporaneous with Client Transactions**

Please refer to Items 11.A, 11.B and 11.C.

### **ITEM 12 – BROKERAGE PRACTICES**

#### **Item 12.A – Selection of Broker-Dealers**

With respect to the Private Equity Funds, our investment advice focuses on making opportunistic private equity investments in the equity or debt of operating companies that are primarily in Raine’s core sectors. Accordingly, as a general matter, the Private Equity Funds do not typically invest in publicly-traded securities, and generally do not transact business through broker-dealers. However, in situations where we may need to select a broker-dealer for public securities transactions, we will seek to obtain best execution of transactions.

In addition, with respect to Raine’s private company securities transactions on behalf of the Private Equity Funds, Raine may retain the Raine broker-dealer or one or more other broker-dealers or investment banks, the costs of which will be borne by the relevant Private Equity Funds and/or their portfolio companies. In doing so, Raine may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Raine generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Private Equity Funds may not necessarily pay the lowest commission or fee for such services.

With respect to the Hedge Fund, we have sole discretion to decide what broker-dealers the Hedge Fund will use and in negotiating the rates of compensation that the Hedge Fund will pay. We will seek to obtain best execution in allocating portfolio transactions for the Hedge Fund.

In seeking best execution, the determinative factor is not always the lowest possible per security price or commission but whether, in our view, the transaction represents the best overall qualitative and quantitative execution for our clients. Our process of determining best execution involves not only an assessment of brokerage commissions or bid/offer spreads, but also an evaluation of broker-dealer ancillary services. We will consider the full range of a broker-dealer’s services in assessing best execution, including: (i) competitiveness of commission rates and spreads; (ii) promptness of execution; (iii) past history in executing orders; (iv) clearance and settlement capabilities; (v) research capabilities and quality access to markets, investments (including access to new issues) and distribution network; (vi) trade error rate and ability or willingness to correct errors; (vii) anonymity/confidentiality; (viii) market impact; (ix) liquidity; (x) speed of execution; (xi) expertise with complex transactions; (xii) ability to handle a block order for securities; (xiii) trading style and strategy; (xiv) geographic location; (xv)

custodial and other services provided; and (xvi) operational facilities and technology (including back office efficiency). We are not required to weigh any of these factors equally.

Although we will seek competitive commissions and spreads, we may not necessarily obtain the lowest possible rates for portfolio transactions. The commissions, spreads or other transaction fees charged by an executing broker-dealer may be higher or lower than those charged by other broker-dealers. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Accordingly, if we determine in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer, our clients may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge.

In addition to the foregoing, in respect of the Hedge Fund, Raine may receive consulting assistance services from one or more prime brokers, including, but not limited to, consulting assistance with best practices, compliance, recruiting of talent, design and build, real estate, facilities management technology, technology, infrastructure, operational processes, capital raising and third party service providers. Any such consulting assistance services would be in complement to, and not in place of, Raine's independent professional advisors and service providers. The benefits provided to Raine by receipt of the consulting assistance services are expected to assist Raine, either directly or indirectly, in the provision of efficient investment management services to the Hedge Fund and to other third parties. In addition, from time to time, the personnel of Raine may speak at conferences and programs for, or meet with, potential investors interested in investing in hedge funds which are sponsored by one or more prime brokers. Through such "capital introduction" events, prospective investors in the Hedge Fund have the opportunity to meet with the employees, officers and representatives of Raine. Neither Raine nor the Hedge Fund will compensate any prime broker for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence Raine in deciding whether to use the prime broker in connection with brokerage, financing and other activities of the Hedge Fund. The receipt by Raine of such consulting assistance services and capital introduction services from a prime broker may give rise to an actual or potential conflict of interest. Raine will manage any such actual or potential conflict of interest appropriately and will not allocate business or effect transactions on behalf of the Hedge Fund with any prime broker where to do so would conflict with Raine's duties to the Hedge Fund. Furthermore, Raine may place client portfolio transactions with firms which have made such recommendations or provided capital introduction opportunities, if Raine determines that it is otherwise consistent with seeking best execution. In no event will Raine select a broker-dealer as a means of remuneration for recommending Raine or any other product managed by Raine (or an affiliate) or affording Raine with the opportunity to participate in capital introduction programs.

#### ***Item 12.A.1 – Research and Other Soft Dollar Benefits***

The term "soft dollars" refers to brokerage commissions generated from client securities transactions that are retained by the broker-dealer for the use of the investment manager that directed the transactions to the broker-dealer. Section 28(e) of the Exchange Act provides a "safe harbor" to those investment managers that use soft dollars to obtain investment research and brokerage services. In order to qualify for the safe harbor, the investment research must provide assistance to the investment manager in its performance of its investment decision-making responsibilities. Brokerage services must relate to the execution, clearance and settlement of securities transactions in order to fall within the safe harbor.

We intend to use soft dollars generated by our clients' securities transactions to pay for research, products and services that fall within the Section 28(e) safe harbor. Such services may include, among other things, the provision of information on economic trends or conditions, political developments,

industries, groups of securities, individual countries, and individual companies, as well as post-trade brokerage services or communication services related to the execution, clearing, and settlement of transactions. Such soft dollar arrangements will typically be made with respect to the Hedge Fund rather than the Private Equity Funds. However, we may use research and brokerage services obtained by the use of commissions arising from one of our client's portfolio transactions in our other investment activities, including, for the benefit of our other client accounts. To the extent applicable, we do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

We may enter into "client commission arrangements" pursuant to which we may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to us. Our clients may also pay for research services directly, rather than through commissions arising from the client's investment transactions.

When we use soft dollars, our clients may pay commissions, spreads or mark-ups to a broker-dealer in an amount greater than the amount another broker-dealer charges if we determine, in good faith, that the amount of commissions, spreads or mark-ups charged by such broker-dealer is reasonable in relation to the value of brokerage and research products or services provided by such broker-dealer.

The availability of soft dollars from certain broker-dealers presents us with conflicts of interest and may give us an incentive to disregard our obligations to our clients (including, without limitation, our best execution obligations) when directing orders to broker-dealers. The receipt of information, products or services paid for with soft dollars is in addition to, and not in lieu of, the management fees and performance-based fees received by us and/or our affiliates, and such fees are not reduced as a consequence of the receipt of such products or services purchased with soft dollars.

In order to manage conflicts related to soft dollar usage, as required by Section 28(e) of the Exchange Act, we review and evaluate our soft dollar practices in order to determine, in good faith, whether, with respect to any research or other products or services received from a broker-dealer, that the commissions used to obtain those products and services are reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination is viewed in terms of either the specific transaction or our overall responsibilities to the accounts or portfolios over which we exercise investment discretion. In addition, as mentioned above, soft dollar arrangements are only entered into for services and products that qualify under the "safe harbor" provisions set forth in Section 28(e) of the Exchange Act.

In some instances, we may obtain a product or service that is used, in part, for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, we will make a good faith effort to determine the relative proportion of the product or service used to assist us in carrying out our investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on an evaluation of the research and non-research uses of the product. The proportion of the product or service attributable to assisting us in carrying out our investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by us from our own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between us and our clients.

#### ***Item 12.A.2 – Brokerage for Client Referrals***

We do not consider whether we, or a related person, receive client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers. However, from time to time, the personnel of Raine may speak at conferences and programs for, or meet with, potential investors

interested in investing in hedge funds which are sponsored by one or more prime brokers. Through such “capital introduction” events, prospective investors in the Hedge Fund have the opportunity to meet with the employees, officers and representatives of Raine. Neither Raine nor the Hedge Fund will compensate any prime broker for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence Raine in deciding whether to use the prime broker in connection with brokerage, financing and other activities of the Hedge Fund. The receipt by Raine of such capital introduction services from a prime broker may give rise to an actual or potential conflict of interest. Raine will manage any such actual or potential conflict of interest appropriately and will not allocate business or effect transactions on behalf of the Hedge Fund with any prime broker where to do so would conflict with Raine’s duties to the Hedge Fund. In particular, Raine may only place client portfolio transactions with broker-dealers which have provided such capital introduction opportunities if Raine determines in good faith that it is otherwise consistent with seeking best execution. In no event will Raine select a broker-dealer as a means of remuneration for recommending Raine or any other product managed by Raine (or an affiliate) or affording Raine with the opportunity to participate in capital introduction programs.

#### ***Item 12.A.3 – Directed Brokerage***

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

#### **Item 12.B – Aggregation of Orders of Securities for Client Accounts**

Given the differing nature of the investments made by the Private Equity Funds and the Hedge Fund, we do not routinely aggregate the purchase or sale of securities for various client accounts. However, when two or more Raine investment vehicles conduct trading through a broker-dealer, we will seek to aggregate orders whenever practicable, cost-efficient and in the best interest of each Raine investment vehicle.

### **ITEM 13 – REVIEW OF ACCOUNTS**

#### **Item 13.A – Periodic Review of Client Accounts**

##### **Private Equity Funds**

With respect to investments made by the Private Equity Funds, our investment professionals and financial operations professionals periodically review the investment portfolios of the Raine investment vehicles. In addition, senior investment professionals typically maintain an ongoing oversight position in portfolio companies. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio company. Each portfolio company provides us with regular reports regarding its financial status and performance, except in the rare instances where our quantum of control is immaterial, in which case we receive public information. Our investment committee of the Raine PE Funds is updated on a monthly basis by the relevant investment professionals on the performance and strategic direction of each portfolio company, and an in depth review of each portfolio company is conducted on a quarterly basis.

##### **Hedge Fund**

With respect to investments made by the Hedge Fund, the portfolio manager actively manages the Hedge Fund’s investment portfolio and reviews trading data on a continuous basis to determine whether securities positions should be maintained in view of current market conditions. In addition, the portfolio manager and other senior members of the Raine team meet regularly to discuss investment themes and the



positioning of the portfolio. The portfolio manager and financial operations professionals also conduct daily risk reviews of set portfolio parameters that have been established (including gross and net exposure limits, single name limits and subsector exposure limits), with intra-day operational controls and enforcements of these limits.

#### **Item 13.B – Factors that Trigger a Review of Client Accounts**

Our investment professionals and financial operations professionals periodically review the investment portfolios of the Raine investment vehicles. In respect of the Hedge Fund, the portfolio manager and financial operations professionals rely, in part, on the portfolio parameters that have been established (including gross and net exposure limits, single name limits and subsector exposure limits) to determine when a further portfolio review is necessary. Other than the foregoing, there are no specific triggers to launch a portfolio review.

#### **Item 13.C – Reports to Clients**

The nature and frequency of regular reports to investors in the Raine investment vehicles depends on the terms of the governing documents of such Raine investment vehicles.

##### *Private Equity Funds*

Typically, investors in the Raine PE Funds are provided with written quarterly unaudited financial reports, annual audited financial statements and relevant tax reports. If an annual investor meeting for one of the Raine PE Funds is held, all investors in the relevant fund will be invited. Typically, investors in the Raine co-investment vehicles are provided with annual audited financial statements and relevant tax reports. Investors that participate in co-investments may be in a position to obtain additional information regarding the applicable portfolio company that may not generally be available to investors in the applicable Raine PE Fund since they are making a decision to invest in that particular investment opportunity.

##### *Hedge Fund*

Typically, investors in the Hedge Fund are provided with written monthly unaudited performance reports, quarterly unaudited summary financial reports, annual audited financial statements and relevant tax reports.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

#### **Item 14.A – Client Referrals**

Although as a general matter we do not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to the Raine investment vehicles, we may, on occasion, receive directors' fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies. To address this potential conflict, a certain portion of these fees generally offset the management fees paid by our clients (Raine clients that do not pay management fees do not receive the benefit of the offset), and are disclosed in the relevant offering and/or governing documents of the applicable Raine investment vehicle.

In addition, as noted above in response to Item 10, the Raine broker-dealer and its affiliates may receive placement fees and other compensation from participating in underwriting syndicates and/or selling groups in relation to securities issued by portfolio companies of the Raine investment vehicles and engaging in other transactions and providing other services in respect of such portfolio companies. Such compensation is generally not shared with the relevant Raine investment vehicle. In addition, we and our

related persons may, in certain instances, receive discounts on products and services sold by portfolio companies held by the Raine investment vehicles.

#### **Item 14.B – Compensation for Client Referrals**

Raine or its affiliates have in the past entered, and may, in the future enter, into arrangements in which third parties will refer investors to one or more Raine investment vehicles in exchange for a fee. The fee paid to a third party that introduces investors to the Raine investment vehicles is typically calculated as a percentage of the amount of capital these investors invest in the Raine investment vehicles, as specifically negotiated between us and such third party. These fees are paid exclusively by us or our affiliates and are not borne by the affected investors or Raine investment vehicles. These relationships will affect the independence of such third party in connection with its recommendations of a particular investment program. These types of arrangements are disclosed to affected investors before such investors make an investment in the relevant Raine investment vehicle. In addition, as stated in Item 12, we may and have in the past entered into capital introduction agreements with certain financial institutions under which such financial institutions do not receive any type of compensation for the capital introduction services they provide under these agreements.

#### **ITEM 15 – CUSTODY**

Raine (or its affiliates) are deemed to have custody of client assets by virtue of their status as General Partner or Managing Member to the Raine clients. Raine and its affiliates comply with the custody requirements applicable to registered investment advisers pursuant to Advisers Act Rule 206(4)-2. We will not take or maintain physical custody of any client assets, and generally will custody client assets with independent “qualified custodians.” Our clients’ custodians will generally be banks, trust companies or broker-dealers unaffiliated with us. Raine may be exempt from the qualified custodian requirement with respect to securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, to the extent ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

For those clients for which we are deemed to have custody of client assets within the meaning of the Advisers Act, either (1) such clients (and, where applicable, their investors) receive audited financial statements from us within the period of time required by Rule 206(4)-2 under the Advisers Act (in which case, investors in such clients are not entitled to receive quarterly account statements directly from such clients’ qualified custodians) or (2) an independent public accountant conducts an annual surprise examination of such clients’ assets and Raine ensures that investors in such clients receive quarterly account statements directly from such client’s qualified custodian.

#### **ITEM 16 – INVESTMENT DISCRETION**

We generally have discretionary authority based on the investment advisory agreements with, and the governing agreements of, the Raine investment vehicles, to buy and sell securities or other investments on their behalf, including, without limitation, to determine the amount of such investments to be bought and sold, subject to such restrictions that may be imposed in the applicable governing agreements for each Raine investment vehicle. These terms may restrict our advice concerning investments in certain securities or geographies, concentration limits or leverage, among others.

## **ITEM 17 – VOTING CLIENT SECURITIES**

### **Item 17.A – Authority to Vote Client Securities**

Raine has authority to vote client securities. Raine has adopted and implemented policies and procedures reasonably designed to ensure that public company proxies as well as portfolio company solicitations received by Raine on behalf of a client (together, “proxies”) are voted in the best interests of its clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting.

Raine will vote proxies in the best interests of the relevant client. Prior to voting a proxy addressed to a Raine investment vehicle, the Chief Compliance Officer (or his designated person) will call a meeting of the Raine investment professionals with knowledge of the relevant portfolio company. Such individuals, in conjunction with the Chief Compliance Officer (or his designated person), will review the proxy to determine if there are any conflicts of interest. If a conflict is identified, such individuals will then make a determination as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, the proxy will be voted in accordance with the best interest of the relevant Raine investment vehicle.

If a material conflict is identified, such individuals will determine what course of action is in the best interests of the affected Raine investment vehicle (which may include (a) utilizing an independent third party to vote such proxies, (b) disclosing the conflict of interest to the applicable Raine client and obtaining its consent prior to voting or (c) such other method as is deemed appropriate under the circumstances). With respect to a Raine PE Fund, Raine will determine whether it is appropriate to disclose the conflict to the limited partner advisory committee of the relevant Raine PE Fund. Raine may ask the limited partner advisory committee for advice regarding how to deal with the conflict. The Hedge Fund may, in the future, establish a limited partner advisory committee for a similar purpose.

Investors in the Raine investment vehicles do not have the ability to direct proxy votes. Investors may obtain additional information regarding how Raine voted proxies and may obtain a copy of Raine’s proxy voting policies and procedures by contacting the Chief Compliance Officer at (212) 603-5500 or [legal@raine.com](mailto:legal@raine.com).

### **Item 17.B – Lack of Authority to Vote Client Securities**

Not applicable.

## **ITEM 18 – FINANCIAL INFORMATION**

### **Item 18.A – Balance Sheet**

Not applicable.

### **Item 18.B – Financial Conditions Likely to Impair Contractual Commitments**

Not applicable.

### **Item 18.C – Bankruptcy Petitions**

Not applicable.



## **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Raine is not registering, nor is it currently registered, as an investment adviser with any state securities authorities.