

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

**HARREN EQUITY PARTNERS, LLC**

**The Gleason Building  
200 Garrett Street, Suite F  
Charlottesville, VA 22902  
[www.harrenequity.com](http://www.harrenequity.com)**

**March 31, 2015**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Harren Equity Partners, LLC (“Harren”). If you have any questions about the contents of this Brochure, please contact Christine P. Barth at (434) 245-5800. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

Harren filed its most recent Brochure on March 28, 2014. This annual amendment updates certain fee disclosures and other information related to a new co-investment vehicle advised by Harren and its affiliates.

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## **ADVISORY BUSINESS**

Harren Equity Partners, LLC (“Harren”), a Delaware limited liability company and a registered investment adviser, provides investment advisory services to funds privately offered to qualified investors in the United States and elsewhere and to certain proprietary accounts. Harren commenced operations in 2006 but is part of a private investment management firm that was founded in 2000 by Thomas A. Carver. Currently, Harren’s principal owners are Thomas A. Carver and Lee J. Monahan. As of December 31, 2014, Harren managed approximately \$468.9 million in client assets on a discretionary basis.

Harren serves as the management company of Harren Investors II, L.P. and Harren Investors II-B, L.P. (together with Harren Investors II, L.P., “Fund II”) and Harren Investors III, L.P. (“Fund III”), each a Delaware limited partnership (collectively and together with any parallel and alternative investment vehicles and any future private investment fund managed by Harren, the “Funds”). Harren Advisors II, L.P. (“GP II”), a Delaware limited partnership, is the general partner of Fund II, and Harren Advisors III, L.P. (“GP III”), a Delaware limited partnership, is the general partner of Fund III. Each of GP II and GP III (each, a “General Partner,” and collectively with Harren, the “Advisers”), is registered under the Advisers Act pursuant to Harren’s registration in accordance with SEC guidance and is under common control with Harren. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with Harren.

Each General Partner has the authority to make all investment decisions on behalf of a Fund. Pursuant to each Fund’s agreement of limited partnership or other operating agreement (the “Partnership Agreement”) and the management agreements (each, a “Management Agreement”) between Harren and the applicable General Partner and Fund(s), each General Partner has delegated day-to-day advisory responsibility to Harren. However, each General Partner acts in its separate and special capacity as described in the Partnership Agreement.

In its capacity as the management company of each Fund, Harren has the authority to manage the business and affairs of each Fund. Each Fund is a private equity fund and invests through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Harren’s investment advisory services to each Fund consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, limited investments in public companies are permitted. When investing in portfolio companies, the senior principals or other personnel of the Advisers may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Harren’s advisory services for each Fund are detailed in each Fund’s private placement memoranda or other offering documents (each, a “Memorandum”), management agreement and Partnership Agreement and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in each Fund participate in each Fund’s overall investment program but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement.

Harren also serves as the manager of two co-investment vehicles through which Harren employees and affiliates and certain other persons with a close family or business relationship with Harren invest side-by-side with each Fund, subject to limitations set forth in each Fund's Partnership Agreement and in the Advisers' allocation policy (collectively, the "Co-Invest Funds"). The Co-Invest Funds typically invest and dispose of investments in the applicable portfolio company at substantially the same time and on substantially the same terms as the Fund making the investment.

## **FEES AND COMPENSATION**

In general, Harren ultimately receives a management fee in connection with advisory services it provides to each Fund pursuant to the applicable Management Agreement. Each General Partner receives a carried interest. Harren and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of each Fund and such additional compensation may offset in whole or in part the management fees otherwise payable to Harren. Investors in each Fund also bear certain fund expenses. A summary of each Fund's fees follows. Fund investors should refer to each Fund's Partnership Agreement for the detailed fee provisions.

### **Management Fees**

Fund III pays Harren (via GP III) a management fee (the "Management Fee") equal to 2.25% on an annual basis of aggregate non-affiliated investor capital commitments ("Commitments") payable semi-annually, partially in arrears and partially in advance. The Management Fee may be reduced upon the occurrence of certain events as set forth in its Partnership Agreement.

Fund II pays Harren (via GP II) a Management Fee payable semi-annually, partially in arrears and partially in advance. Fund II's Management Fee was initially 2.0% on an annual basis of aggregate non-affiliated investor Commitments, but, in connection with Fund III's effectiveness, it was reduced to 2.0% of an amount equal to the aggregate amount of invested capital with respect to investments that have not been disposed of or completely written-off, as determined in accordance with Fund II's Partnership Agreement.

Investors participating in a closing after each Fund's initial closing date bear the Management Fee from the initial closing date. The Management Fee will be payable until all portfolio investments are distributed. Installments of the Management Fee payable for any period other than a full six-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

Each Fund's Management Fee may be reduced by a percentage of any breakup fees and transaction and monitoring fees earned by the Advisers or their affiliates as set forth in the applicable Partnership Agreement. In addition, the Management Fee is also offset by any private placement and finders' fees paid and organizational fees in excess of the cap stated in the Partnership Agreement, to the extent any such fees are incurred. Harren may also receive amounts from portfolio companies as compensation for services or as reimbursement of expenses as described in the Partnership Agreement.

To the extent permitted by a Partnership Agreement, each General Partner may waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operate to reduce the amount of capital such General Partner would otherwise be required to contribute to such Fund. The limited partners of a Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of each Fund's General Partner in connection with any such waiver or reduction as described above, and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions.

### **Carried Interest**

Each General Partner is entitled to receive a carried interest with respect to each Fund equal to 20% of realized profits after distributing a preferred return, subject to a General Partner catch-up provision as more fully described in the applicable Partnership Agreement. The carried interest distributed to each General Partner is subject to a potential giveback if the General Partner has received excess cumulative distributions as determined at the end of each Fund's life, as determined in each case in accordance with the applicable Partnership Agreement.

### **Other Information**

Harren may exempt certain investors in each Fund from payment of all or a portion of Management Fees and/or carried interest, including the General Partner, its affiliates and any other person designated by the General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption or through the Co-Invest Fund or another investment vehicle. To the extent permitted by the relevant Partnership Agreement, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

Principals or other current or former employees of Harren or the General Partner may receive a portion of the Management Fee, carried interest or other compensation received by Harren or its affiliates.

In addition to the Management Fee and carried interest, each Fund bears certain other expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement, each Fund may bear all expenses relating to such Fund's activities, investments, and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including investment acquisition (regardless of whether a transaction is consummated), holding, managing, operating, valuing and disposing, legal, filing, accounting, auditing, investment banking, travel (including private aircraft costs), consulting, research, brokerage, finder's, financing, real estate, appraisal, printing, reporting, custody, depositary, transfer, registration, regulatory and

compliance (including fees and expenses incurred by the Advisers as a result of their control and management of the Funds), insurance, advisory board, limited partner meetings, interest, taxes, extraordinary expense and other similar fees and expenses, but not Harren expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses). Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.” Each Co-Invest Fund bears its share of expenses with respect to investments it makes, including expenses associated with their disposition, in a manner consistent with the governing documents of the participating Funds and Co-Invest Funds. If the allocation for any such expense is not specified by the governing documents, the relevant Adviser shall determine the allocation of such expense in a fair and equitable manner. Expenses of a Fund not associated with a consummated joint investment by such Fund and a Co-Invest Fund will not be shared with a Co-Invest Fund.

Furthermore, as described more fully in the applicable Memorandum and/or Partnership Agreement, Harren and certain of its affiliates may provide services to (or with respect to) one or more Funds or certain portfolio companies in which a Fund invests and may receive compensation from such portfolio companies. Break up, monitoring and transaction fees are generally subject to the management fee offset.

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

As described under “Fees and Compensation,” Harren receives a carried interest allocation on certain realized profits in each Fund. The Co-Invest Funds are not charged a performance-based fee. Since participation in the Co-Invest Funds is limited to Harren employees and affiliates and certain other persons with a close family or business relationship with Harren, including selected service providers, and the Co-Invest Funds invests side-by-side with each Fund subject to the terms set forth in the applicable Partnership Agreement, Harren’s view is that this practice does not present a conflict of interest.

#### **TYPES OF CLIENTS**

Harren provides investment advice to the Funds, including the Co-Invest Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Harren and its affiliates and members of their families, or other service providers retained by Harren and its affiliates.

Each Fund generally has a minimum investment amount of \$2,500,000 for third-party investors, which could be waived by the General Partner. Each Fund’s interests are offered and sold solely to qualified purchasers (or qualified knowledgeable Harren personnel). Each Fund is closed and not accepting new investors.

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

### General

The General Partner has selected Harren to provide day-to-day investment advisory services to each Fund, subject to the General Partner's supervision. The Advisers share common owners and personnel. Accordingly, the Advisers' investment methodology is described below.

The Advisers focus primarily on making investments of up to \$35 million in companies with enterprise values that range from \$20 million to \$200 million (the "Lower Middle Market"). The Advisers seek to take majority equity positions in Lower Middle Market Companies through leveraged acquisitions and recapitalization transactions with participation by management. The Advisers maintain a broad industry focus, although the Advisers may occasionally target opportunities in a particular industry in which they believe the fundamentals are particularly attractive or in which the Advisers' principals have experience or expertise. The Advisers take a hands-on approach with the management of portfolio companies. The Advisers also concentrate on making operational improvement through on-site work with portfolio companies.

There can be no assurance that Harren will achieve the investment objectives of each Fund and a loss of investment is possible.

### Investment and Operating Strategy

*Investment Evaluation.* Day-to-day responsibility for each acquisition candidate is typically assigned to a team of two to four of the Advisers' investment professionals. This team updates the entire investment team at a weekly deal meeting and more frequently on an informal basis. For candidates that progress toward acquisition, the evaluation process eventually culminates in an investment committee meeting in which the team must defend all aspects of the diligence process and its investment conclusions. The evaluation process begins with an assessment of the management team. In addition to extensive due diligence undertaken by the Advisers' professionals, the Advisers engage third party advisors to assist in the analysis of the business prospects of the company and issues related to the structure of a transaction. As part of this process, the Advisers seek to develop a strong working relationship with management in order begin the creation of a strategic plan for the business, which will serve as the basis for the initiatives to be pursued during the investment period.

*Investment Acquisition.* Prior to acquiring a company, the investment team will consider, among other factors, (i) identifiable growth potential, (ii) scalability of the business model, (iii) the ability of the Advisers and management to address existing operational issues effectively, and (iv) the presence of an agreeable strategic plan developed in partnership with management during due diligence. The Advisers prefer to utilize simple transaction structures that typically include only one class of stock in order to promote transparency and alignment of interests among all shareholders, including the managers of a business, who typically maintain a significant equity interest in the company. In general, the moderate amount of leverage utilized by the Advisers often allows for greater investment in growth capital to further accelerate growth. The Advisers attempt to maximize the utility of tax structuring and other financial instruments that can positively impact risk-adjusted returns to each Fund.



*Ownership Activity.* The Advisers work with management post-acquisition to implement the strategic plan that was developed during the investment evaluation process. The Advisers employ their operations focus and spend time on-site as necessary to support management. An annual strategic assessment is conducted to measure progress versus the original plan and to evaluate areas for continued improvement.

*Realization Process.* The decision to exit an investment requires a subjective assessment of company performance, future prospects, market conditions, and other factors, including the desires and plans of management. The Advisers typically anticipate an investment period of three to seven years. In general, the timing of an exit is dictated by the progress a company has made with respect to its strategic plan.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in each Fund include, but are not limited to:

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

Future and Past Performance. The performance of the Principals' prior investments is not necessarily indicative of each Fund's future results. While the General Partner intends for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

Concentration of Investments. Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, each Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return.

Lack of Sufficient Investment Opportunities. It is possible that each Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Fund investors will be required to bear annual management fees through the Fund during the investment period based on the entire amount of their Commitments and other expenses as set forth in the applicable Partnership Agreement.

Illiquidity; Lack of Current Distributions. An investment in each Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on

unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investments. Furthermore, the expenses of operating each Fund (including the annual management fee) may exceed its income, thereby requiring that the difference be paid from each Fund's capital.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Leveraged Investments. Each Fund's investments may be in companies whose capital structures are highly leveraged. Such investments involve a high degree of risk in that adverse fluctuations in the cash flow of such companies, or increased interest rates, may impair their ability to meet their obligations, which may accelerate and magnify declines in the value of any such portfolio company investments in a down market.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of each Fund's investments, and hence, most of each Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Partners. The price at which such securities may be sold by such Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

Reliance on the General Partner and Portfolio Company Management. Control over the operation of a Fund is vested entirely with Harren and the applicable General Partner, and such Fund's future profitability will depend largely upon the business and investment acumen of the Advisers' principals. The loss of service of one or more of the Advisers' principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Advisers' principals may in the future manage other investment funds besides the existing Funds (to the extent permitted by the terms of the applicable Partnership Agreement) and such principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the principals. Fund investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend entirely on the actions of the Advisers. Although the Advisers will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Projections. Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the applicable General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for an additional investment opportunity, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

Non-U.S. Investments. Each Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of each Fund) and the application of complex tax rules to cross-border investments.

Significant Default Penalties. The Partnership Agreement provides for significant penalties and other adverse consequences in the event a Fund investor defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting investor may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

General Partner's Carried Interest. The fact that the General Partner's carried interest is based on a percentage of net profits, may create an incentive for the General Partner to cause a Fund to make riskier or more-speculative investments than would otherwise be the case.

Public Company Holdings. Each Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject each Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of each Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation

against such companies' board members, including the Advisers' principals, and increased costs associated with each of the aforementioned risks.

Director Liability. Each Fund will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes each Fund's representatives, and ultimately each Fund, to potential liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of each Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon each Fund's portfolio companies.

## **Conflicts of Interest**

Harren and its affiliates engage in a broad range of advisory and non-advisory activities. In the ordinary course of an Adviser conducting its activities, the interests of a Fund may conflict with the interests of its Advisers, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the investment period of each Fund, all appropriate investment opportunities will be pursued by the Advisers' principals through such Fund, subject to certain limited exceptions. Without limitation, the Advisers' principals currently, and may in the future, manage several other investments similar to those in which the Funds will be investing, and may direct certain relevant investment opportunities to those investments. The Advisers' principals and investment staff will continue to manage and monitor such investments until their realization. Harren believes that the significant investment of the Advisers' principals in each Fund, as well as the principals' interest in the carried interest, operate to align, to some extent, the interest of the principals with the interest of each Fund's investors. Such other investments that the Advisers' principals may control or manage may potentially compete with companies acquired by the Funds.

From time to time, the Advisers will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of an Adviser. In determining which investment vehicles should participate in such investment opportunities, Harren and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of

the Advisers in a portfolio company may also raise the risk of using assets of a client of the Advisers to support positions taken by other clients of the Advisers. When and to the extent that employees and related persons of Harren and its affiliates make capital investments in or alongside certain Funds, Harren and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

As a result of the Funds' controlling interests in portfolio companies, Harren and/or its affiliates typically have the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Harren and/or its affiliates. Such amounts may not be fully offset against any Management Fees or carried interest paid by a Fund to its Advisers.

Additionally, a portfolio company typically will reimburse its Advisers or service providers retained at its Advisers' discretion for expenses (including without limitation travel expenses) incurred by such Adviser or such service providers in connection with its performance of services for such portfolio company. This subjects Harren and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements. In addition, an Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses because of such reimbursement. The Advisers determine the amount of these reimbursements for such services in their own discretion, subject to Harren's internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Advisers or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions.

The Advisers generally exercise their discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) an Adviser or a related person of an Adviser (which may include a portfolio company of such Fund) or (ii) an entity with which an Adviser or its affiliates or current or former members of their personnel has a relationship or from which an Adviser or its affiliates or their personnel otherwise derives financial or other benefit. This subjects such Adviser to conflicts of interest, because although such Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, such Adviser may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that such Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not an Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Harren and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Harren and/or its affiliates; conversely, former personnel or executives of Harren and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by such Adviser. Additionally, Harren, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities may invest (or may be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Harren and/or its affiliates, and/or the Funds or other investment vehicles they advise. Certain fees paid by the portfolio companies to these persons or entities may not offset the Management Fees as described herein. Harren and/or its affiliates may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Harren and/or its affiliates information about markets and industries in which such entity operates (or is contemplating operations) or will provide other services that are beneficial to Harren and/or its affiliates. Harren and/or its affiliates may have a conflict of interest in making such recommendations, in that such Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Harren, its affiliates, and equityholders, officers, principals and employees of Harren and its affiliates may buy or sell securities or other instruments that an Adviser has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments would be as set forth in the governing documents of the applicable Co-Invest Fund or other co-investment vehicle, which may vary from those of any Fund.

Because an Adviser's carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so. Since the Advisers are permitted to retain a portion of breakup fees and transaction and monitoring fees in certain cases (as described under "Fees and Compensation") in connection with Fund investments, they could have a conflict of interest in connection with approving transactions and setting such compensation.

An Adviser may enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects Harren and/or its affiliates to potential conflicts of interest. In the event a conflict of interest arises, the Advisers will attempt to resolve such

conflict of interest in light of its obligations to the applicable Fund and its investors in a fair and equitable manner. Where necessary, the Advisers may consult with and receive consent to conflicts from an advisory committee consisting of certain Fund investors. Following the investment period of each Fund, the Advisers' principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

#### **DISCIPLINARY INFORMATION**

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

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

Harren is affiliated with the General Partner, which is registered with the SEC under the Advisers Act pursuant to Harren's registration in accordance with SEC guidance. Harren and the General Partner operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of the Advisers' principals and employees and addresses conflicts that arise from personal trading. The Code requires all of the Advisers' personnel to report their personal securities transactions and to obtain approval from the Advisers' Chief Compliance Officer prior to acquiring, directly or indirectly, beneficial ownership of certain restricted securities and securities in an initial public offering or in a limited offering. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any existing or prospective client (or Fund investor) upon request to Thomas A. Carver, Harren's Managing Partner, at (434) 245-5800. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers may be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including each Fund.

Principals and employees of the Advisers and its affiliates may directly or indirectly own an interest in Funds, including the Co-Invest Funds. With respect to each Fund, Harren and its affiliates have committed to co-invest an amount equal to 5% of each Fund's aggregate Commitments on a pro-rata basis with each Fund. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as each Fund.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. Each Fund's Partnership Agreement limits the extent to which persons affiliated with the Advisers and/or other investment vehicles managed by the Advisers and their affiliates, including the Co-Invest Funds, may invest in investments held, suitable for or being pursued by such Fund.

#### **BROKERAGE PRACTICES**

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

If the Advisers sell publicly traded securities for a Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.



Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services. As a general matter, any such research may be shared between the Advisers and their affiliates and may be used to service one or more of the Funds regardless of which Fund paid the brokerage commission being applied toward payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services

The Advisers do not anticipate engaging in frequent public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several Funds at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund is favored over any other Fund. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

#### **REVIEW OF ACCOUNTS**

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

Each Fund generally will provide to its limited partners (i) on an annual basis (A) audited financial statements, (B) tax information necessary for each limited partner’s tax return, (C) valuations of each Fund’s investments and unaudited reports regarding the valuation of each portfolio company held by each Fund, and (ii) on a quarterly basis (for the first three quarters of the fiscal year) (A) unaudited financial statements and (B) reports providing a narrative summary of the status of each portfolio company investment in each case subject to exceptions permitted under the Partnership Agreement.

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

Harren and/or its affiliates may provide certain business or consulting services to companies in each Fund’s portfolio and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by each Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See “Fees and Compensation.”

From time to time, Harren and/or its affiliates may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor

becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents will ultimately be borne by Harren and/or the applicable General Partner directly or indirectly through an offset against the Management Fee or otherwise, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

The Advisers retained Ineo Capital, LLC (“Ineo”), a U.S. registered broker-dealer, to solicit investors for Harren III. As compensation for its efforts, Ineo received a fee based on a percentage of commitments to Harren III by certain investors.

### **CUSTODY**

The Advisers maintain custody of the assets of each Fund and the Co-Invest Funds in accounts held in the Fund’s or Co-Invest Fund’s name, as applicable, with Fifth Third Bancorp, a qualified custodian located at 121 South Main Street, 5<sup>th</sup> Floor, Akron, Ohio 44308.

### **INVESTMENT DISCRETION**

Harren has discretionary authority to manage investments on behalf of each Fund. As a general policy, Harren does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Harren may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in each Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Harren assumes this discretionary authority pursuant to the terms of the Management Agreement and powers of attorney executed by the limited partners of each Fund.

### **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they will vote proxies, as applicable, for each Fund’s portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of each Fund, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of each Fund’s investors through the principals’ beneficial ownership interests in each Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives set forth in the Proxy Policy. Additionally, each Fund’s limited partner advisory board may approve the Advisers’ vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by the Advisers’ personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of each Fund. Prospective or existing clients (or Fund investors) that would like a copy of the Proxy Policy or information regarding how the Advisers voted proxies for

particular portfolio companies should contact the Firm's Chief Compliance Officer, at (434) 245-5800, and it will be provided at no charge.

#### **FINANCIAL INFORMATION**

Harren does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.