

# **Aurora Management Partners LLC**

## **Part 2A of Form ADV: Firm Brochure**

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This brochure provides information about the qualifications and business practices of Aurora Management Partners LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at 310.551.0101. 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.

Additional information about Aurora Management Partners LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2—Summary of Material Changes**

This summary discusses only material changes since our last annual update, which was filed on March 31, 2015.

**Item 4:** As of January 2016, Aurora Management V (as defined below), a relying adviser, advises one of the PE Funds (as defined below). Aurora Management V is principally owned by Joshua R. Klinefelter, John T. Mapes, Michael Marino, Gerald L. Parsky and Mark D. Rosenbaum.

**Item 4:** Aurora MCA (as defined below) does not currently advise any separately managed accounts but may do so from time to time in the future.

**Item 4:** ACG (as defined below) has been added as a relying adviser. ACG is principally owned by John T. Mapes, Gerald L. Parsky and Steven D. Smith, who also comprise its executive committee. The executive committee exercises responsibility over certain of Aurora's activities, as described further in Item 4 below.

Other changes have also been made to this Disclosure Brochure, but Aurora does not consider these changes to be material.

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#### **Item 4            Advisory Business**

Aurora Management Partners LLC, a Delaware limited liability company (“Aurora Management”), Aurora Resurgence Management Partners LLC, a Delaware limited liability company (“Aurora Resurgence”), Aurora Management Partners MCA LLC, a Delaware limited liability company (“Aurora MCA”), Aurora Management Partners V L.P., a Delaware limited partnership (“Aurora Management V”), and Aurora Capital Group LLC, a Delaware limited liability company (“ACG”), are collectively a privately held investment firm doing business as “Aurora Capital Group” (“Aurora” or “we”). Aurora is based in Los Angeles, California.

Aurora Management’s traditional private equity funds (the “PE Funds”) focus principally on control investments in middle market businesses with leading market positions, strong cash flow profiles and actionable opportunities for growth in partnership with operating management. In addition, Aurora Resurgence manages a fund (the “Resurgence Fund”) that invests in debt and equity securities of middle market companies and targets complex opportunities that are created by operational or financial challenges. Aurora MCA has been formed to advise separately managed accounts that may be established from time to time. These separately managed accounts may invest in the Funds (as defined below) or in co-investments alongside the Funds, or in other investments such as mezzanine financing, senior indebtedness, real estate transactions, venture capital transactions and infrastructure projects.

Since our founding in 1991, we have closed more than 100 acquisitions and have had close involvement in the operations of companies in a broad range of sectors including aerospace, energy, specialty chemicals, transportation, packaging, information technology and healthcare, among others. Aurora Management is principally owned by Gerald L. Parsky and John T. Mapes. Additionally, Aurora Management is affiliated with (i) Aurora Resurgence, which currently serves as investment advisor to the Resurgence Fund, (ii) Aurora MCA, which may from time to time advise one or more separately managed accounts, (iii) Aurora Management V, which currently serves as investment advisor to a PE Fund, and (iv) ACG, which houses Aurora’s executive committee consisting of John T. Mapes, Gerald L. Parsky and Steven D. Smith, with responsibility over certain of Aurora’s activities, including setting the strategy of the firm, approving the appointment of board members to portfolio company boards, coordinating firm administrative activities such as finance, accounting and legal, approving firm marketing and communications and resolving certain conflicts within and among the Funds. Aurora Resurgence is principally owned by Gerald L. Parsky and Steven D. Smith. Aurora MCA is principally owned by Gerald L. Parsky. Aurora Management V is principally owned by Joshua R. Klinefelter, John T. Mapes, Michael Marino, Gerald L. Parsky and Mark D. Rosenbaum. ACG is principally owned by John T. Mapes, Gerald L. Parsky and Steven D. Smith. References to “Aurora” herein, in the specific context of the PE Funds, shall refer to Aurora Management or Aurora Management V, as applicable, references to “Aurora” herein, in the specific context of the Resurgence Fund, shall refer to Aurora Resurgence, and references to “Aurora” herein, in the specific context of a separately managed account, shall refer to Aurora MCA, as applicable.

We provide investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities

are not registered under the Securities Act of 1933, as amended. We currently provide investment advice to three PE Funds and one Resurgence Fund (together with their respective parallel partnerships, the “Funds”). In addition, we provide investment advisory services to certain feeder vehicles which invest in a Fund and to certain co-investment vehicles which invest alongside a Fund in a specific portfolio investment (collectively, the “Vehicles”). Aurora does not currently have any separately managed account clients. We may in the future advise other funds and investment vehicles in addition to those listed herein.

As investment adviser for each Fund, Aurora identifies investment opportunities and participates in the acquisition, management, oversight and disposition of investments for each Fund. Aurora provides these investment advisory services to each Fund pursuant to the limited partnership agreement governing such Fund, as well as separate investment advisory agreements (each an “Advisory Agreement”). The terms of the investment advisory services to be provided by Aurora to a Fund, including any specific investment guidelines or restrictions, are set forth in such Fund’s Advisory Agreement and/or in its limited partnership agreement. We tailor our advisory services to the individual needs of each of the Funds, but not to the individual needs of any of the investors in the Funds. Individual needs of the Funds are identified through a review of each Fund’s overall investment guidelines and objectives, as well as the Fund’s overall portfolio characteristics, remaining life, available capital and other factors. Our investment advisory services to the Vehicles typically include identification of the investment opportunity with respect to each Vehicle and participation in the acquisition, management, oversight and disposition of the investment for each Vehicle. Such activities are incidental to, and consistent with, the determinations made with respect to such investments on behalf of the Funds.

We do not participate in any wrap fee programs.

As of March 2016, we managed a total of approximately \$2.3 billion of assets for the Funds and the Vehicles on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## **Item 5            Fees and Compensation**

We are compensated for our investment advisory services based on a percentage of committed capital or invested capital. Generally, each Fund pays us a management fee based on committed capital during its investment period (generally, 5 years, but 2 years and four months in the case of our Resurgence Fund), and thereafter pays us a management fee based on invested capital.

We negotiate the rate with investors in each Fund and separately managed account at the time such Fund or account is established. We are entitled to collect management fees from the Funds on a quarterly basis. As described below, the management fee may be reduced or waived in some circumstances in connection with the receipt by Aurora or its affiliates of various fees paid by actual or prospective portfolio companies. The management fee is otherwise generally subject to waiver or reduction with respect to some or all of a Fund’s investors by Aurora in its sole discretion, including in connection with capital commitments made by the general partner, its affiliates and certain other advisers of the Fund.

Management fees are payable in advance of the services rendered. If the Advisory Agreement is terminated (or a Fund is terminated) before the end of the applicable period, management fees will be charged on a pro rata basis through the date of termination, and any fees paid in advance but not earned will be refunded.

The Funds generally bear certain other fees, expenses and costs which are incidental or related to the organization, maintenance or liquidation of the Fund or which are related to the acquisition, carrying and disposition of investments. Each Fund's limited partnership agreement sets forth a specific definition of what types of expenses may be charged to such Fund, but in general these fees and expenses include, but are not limited to, sales commissions, appraisal fees, brokerage fees, accounting, legal, consulting, information services, professional fees, custodial, trustee, record keeping, partnership reporting, taxes, insurance, telephone, travel (which includes first or business class commercial air travel, the actual cost of private, non-commercial air travel (if allowed under a particular Fund's limited partnership agreement), annual airport lounge fees and incidental travel expenses), meal and entertainment expenses related to the monitoring and managing of portfolio company investments, broken deal expenses and other such expenses. For the avoidance of doubt, unless the general partner of a Fund determines otherwise, the Funds will be responsible for all broken-deal expenses related to an unconsummated transaction, notwithstanding the potential participation of one or more co-investors in such transaction. In addition, certain of the foregoing expenses and costs may be borne by a portfolio company instead of a Fund.

Aurora and its affiliates may perform management, advisory, transaction-related, financial advisory and other services for, and in connection therewith, may receive fees from, actual or prospective portfolio companies of the Funds, including such fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, sales and similar transactions. These fees can be significant and are generally paid in cash. Such fees may be payable to Aurora pursuant to a management services or similar agreement with a portfolio company, and such agreement may provide for the acceleration of any fees payable over the remaining term of the agreement upon the early termination of such agreement. On occasion, Aurora has received such accelerated payments of management services fees in connection with the initial public offering of a portfolio company, and has credited such accelerated fees against the management fees payable by the limited partners in accordance with the applicable limited partnership agreement as described below. Although such fees are in addition to the management fees paid by the Funds, in some circumstances Aurora is required pursuant to a Fund's limited partnership agreement to reduce future management fees in connection with the receipt of these fees. The calculation of such offset varies from Fund to Fund. Between 70% to 100% of fees received by Aurora or its affiliates from portfolio companies, to the extent any such fees are charged, may be offset against future management fees, depending on the Fund, and the calculation of such offset is described in the applicable limited partnership agreements. In some cases, the offset available to a Fund pursuant to the applicable limited partnership agreement excludes the portion of fees that is attributable to the Fund's co-investors in the relevant portfolio company and/or that corresponds to the proportion of the Fund's partners who are exempt from paying management fees, which has the effect of reducing the effective percentage of the Fund's offset. The fees described above are disclosed to limited partners of the applicable Fund. In addition to the fees described above, Aurora and its affiliates are also generally entitled to be reimbursed for

expenses incurred in connection with the performance of services rendered to portfolio companies of the Funds.

In furtherance of the investment advisory services it provides, Aurora has developed a broad network of external resources that it utilizes to improve the operational and financial performance of the Funds' portfolio companies, and thus to increase investor value. Aurora coordinates the delivery of these services to the portfolio companies and typically negotiates the compensation payable to these resources on behalf of the portfolio companies. In particular, Aurora works with three separate advisory groups: (i) an advisory board, (ii) a small group of executive advisors, and (iii) a larger group referred to as its executive network. The advisory board and executive advisors together are referred to in this document as the "Advisors." The advisory board provides ongoing services to all of the portfolio companies of all Funds. From time to time, they also spend significant time consulting on pre-investment diligence. The executive advisors work extensively with the portfolio companies on specified projects and initiatives. Lastly, members of the executive network typically only work with 1-3 portfolio companies, usually in the capacity of an outside board member and, in some cases, work with other investment advisory firms. The Advisors and the executive network members serve as independent consultants and are neither employed by nor affiliated with Aurora. Accordingly, their compensation is not subject to the management fee offset provisions of the limited partnership agreements of the applicable Funds.

Advisors generally receive a combination of cash consulting fees, which may be paid to the Advisor by Aurora or by a portfolio company depending on the context and the type of Advisor, as well as equity awards from the portfolio companies they serve. Compensation payable to an Advisor by Aurora, whether on its own behalf or on behalf of one or more portfolio companies from which Aurora will seek reimbursement, is typically documented in a written consulting agreement. The executive network members are compensated by the portfolio companies, generally in their capacity as board members.

Because the Advisors work with all of the portfolio companies, on new deals (consummated and unconsummated), and at times may work on matters directly for Aurora, Aurora allocates the time spent by such Advisors across all such categories. Whenever Aurora determines in its discretion to allocate Advisor compensation and expenses to the portfolio companies or to the Funds themselves, this allocation is subject to Aurora's Expense Allocation Policy. Once a portion of an Advisor's time and compensation has been allocated to a portfolio company or to a Fund in accordance with the Expense Allocation Policy, the relevant Fund limited partnership agreement dictates what reimbursement, if any, Aurora may seek.

Neither we nor any of our supervised persons acting on our behalf accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Some of our related persons serve as general partners of the Funds and, in such capacity, receive carried interest distributions from the Funds, which are based on a share of gains in the assets of such Fund. The calculations used to determine the amounts of such distributions to

related persons are set forth in the limited partnership agreements of the Funds. Such carried interest distributions may create an incentive for Aurora and its supervised persons to make investments on behalf of the Fund that may be riskier or more speculative than would be the case in the absence of such distributions.

The terms of the management fee, carried interest distribution and other economic terms may differ from Fund to Fund. The potential for Aurora and its affiliates to receive different levels of compensation from its Funds creates a potential conflict of interest with respect to the allocation of investment opportunities, because Aurora and its affiliates may have an incentive to allocate investment opportunities in favor of the Fund(s) that has a more favorable fee structure for Aurora. To mitigate this potential conflict of interest, the allocation of investment opportunities among Funds is made by Aurora in accordance with the limited partnership agreements of the applicable Funds and Aurora's investment allocation policy, which takes into account multiple criteria to derive an allocation that in Aurora's judgment is fair and equitable to each Fund relative to other Funds over the life of such Fund, taking into account all relevant facts and circumstances. Aurora's investment allocation policies take a similar approach with respect to the allocation of follow-on investment opportunities, co-investment opportunities and divestment opportunities.

## **Item 7           Types of Clients**

We provide investment advice to the Funds and the Vehicles. Investors in the Funds and the Vehicles include high net worth individuals, college and university endowments, public and private pension plans, funds-of-funds and other institutional investors.

The Funds may have a specified minimum investment set forth in their offering documentation, organizational documents or other governing documents. Such minimums are typically subject to the discretion, on the part of Aurora, to accept lesser capital commitments in certain circumstances.

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

Our investment objective is to make investments primarily in the middle market focusing on investment opportunities where the target company's enterprise value ranges from \$100 million to \$1 billion. Our investment strategy is primarily long-term investment in privately held companies. In evaluating potential portfolio companies, we conduct extensive due diligence to analyze, among other things, the company's industry, competitive positioning and business model.

- Our PE Funds invest in businesses we believe to be high quality companies with strong and defensible franchise positions and revenue driven by stable demand drivers. We place a high premium on preservation of capital (stable businesses) and measuring investor returns first on an unlevered basis.
- Our Resurgence Fund targets complex situations that are created by operational or financial challenges either within a company or a broader industry. We act as a



constructive partner with management teams and other stakeholders to help drive financial growth and operational improvements.

- The Vehicles invest either in a Fund or alongside a Fund in a specific portfolio investment.

Acquiring an interest in a Fund involves a number of significant risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund. Investment risks include, but are not limited to, the following:

- *Risks Associated with the Funds' Investment Strategies.*
  - The investment strategies pursued by the Funds involve making illiquid private investments in a relatively small number of portfolio companies. As a result, each Fund's portfolio tends to be highly concentrated, and the failure of even one of these investments could have a materially adverse impact on a Fund's overall performance.
  - The competition for sourcing investments for the Funds is becoming increasingly intense. There can be no assurance that Aurora will be able to source a sufficient number of suitable investments at reasonable valuations to achieve a Fund's investment objective.
  - The Funds' investment strategies often involve investing in portfolio companies whose businesses are subject to significant risks, including strategic, financial or other challenges. Some of these portfolio companies may be highly leveraged, and the Funds' exit strategies may be uncertain at the time the Funds make an investment in the portfolio company. The success of the Funds' investments in these companies is highly dependent on the ability of the managers of these companies to successfully navigate these and other challenges.
  - The Funds also reserve the right to make limited investments overseas subject to the restrictions set forth in the limited partnership agreements governing the Funds. Investing overseas entails additional investment risks, including currency risk, lack of transparency and the risk of operating in markets with less well-developed legal systems to protect the rights of investors and creditors.
- *Risks Associated With Investing in Interests in the Funds*
  - Investments in the Funds are illiquid, and interests in a Fund may not be transferred without the prior consent of the general partner and the satisfaction of certain other conditions. Investors in the Funds should be able and prepared to maintain their investments in the Funds over the entire life of the Fund.
  - An investment in the Funds is a passive investment. As limited partners, investors in the Funds have no control over the day-to-day operations of the Funds and limited rights to protect themselves if they are dissatisfied with the manner in which a Fund is being operated. Limited Partners are highly dependent

on the investing skills and management abilities of Aurora to achieve success.

- The valuation of the Fund's investments is a difficult task that relies heavily on Aurora's business judgment. Although Aurora maintains stringent policies, procedures and financial controls over the valuation process (including independent review by the Funds' auditors), there can be no assurance that the Funds will be able to realize their investments at price that is commensurate with the value at which such investments have been carried on the Fund's books.
- Aurora manages each Fund in a manner that is consistent with the best interests of the Fund, which is not necessarily consistent with the best interests of each individual investor in the Fund. In particular, Aurora may structure investments so as to maximize tax efficiency for the Fund, but which may not be the most tax advantageous structuring possible for an individual investor, depending on that investor's own particular facts and circumstances.

No guarantee or representation can be made that a Fund will achieve its investment objective or that limited partners will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by the Funds could lose money over short or even long periods.

Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund's investment, operational and other actual and potential risks.

#### **Item 9           Disciplinary Information**

Not applicable.

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

One of our partners, Steven D. Smith, is a registered representative of a broker-dealer but there is no relationship or arrangement that is material to our advisory business, nor any material conflicts of interest, as a result of his status as a registered representative of a broker-dealer.

Neither we nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

One of our partners, Gerald L. Parsky, is a managing member of Arrowhead Investment Management LLC ("Arrowhead"), a firm that is being formed to advise clients on investments primarily in privately negotiated subordinated debt, second lien debt, "unitranche" debt, preferred stock and non-control common equity securities. There is no relationship or arrangement that is material to our advisory business, nor does Aurora anticipate any material conflicts of interest, but to the extent any such conflicts arise, Aurora will seek to mitigate or avoid any conflicts of interest, to the extent reasonably possible as described in further detail in Item 11 below.

Other than as described above, neither we nor any of our management persons have any relationship or arrangement that is material to our advisory business or to the Funds with any related person who is a broker-dealer, municipal securities dealer or government securities dealer or broker; investment company or other pooled investment vehicle; other investment adviser or financial planner; futures commission merchant, commodity pool operator or commodity trading advisor; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of limited partnerships.

Aurora Management acts as investment adviser to two of the PE Funds and certain of the Vehicles, and certain related persons act as general partners of the Funds. Additionally, Aurora Management is affiliated with (i) Aurora Resurgence, which currently serves as an investment adviser to the Resurgence Fund and certain of the Vehicles, (ii) Aurora MCA, which has been formed to serve as an investment adviser the separately managed accounts, (iii) Aurora Management V, which currently serves as an investment adviser to one of the PE Funds, and (iv) ACG, which houses Aurora's executive committee. All of the Aurora entities operate pursuant to a single consolidated compliance program pursuant to a written Compliance Manual and Code of Ethics adopted by Aurora in accordance with the requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). A single compliance officer oversees compliance efforts with respect to these policies and procedures for each of Aurora Management, Aurora Resurgence, Aurora MCA, Aurora Management V and ACG. More particularly, (i) Aurora Management shares certain common owners and partners with Aurora Resurgence, Aurora MCA, Aurora Management V and ACG, (ii) certain Aurora Management officers and employees serve dual functions for each of Aurora Management, Aurora Resurgence, Aurora MCA, Aurora Management V and ACG, (iii) Aurora Management, Aurora Resurgence, Aurora MCA, Aurora Management V and ACG operate under the same Employee Handbook as administered by Aurora Management, and (iv) Aurora Management, Aurora Resurgence, Aurora MCA, Aurora Management V and ACG share a principal place of business. As a result, Aurora Management treats Aurora Resurgence, Aurora MCA, Aurora Management V and ACG, their employees and the persons acting on their behalf as "persons associated with" Aurora Management for purposes of the Advisers Act.

We do not recommend or select other investment advisers for the Funds or the Vehicles or have other business relationships with other investment advisers that create a material conflict of interest.

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

We have adopted a written Code of Ethics which applies to all of our employees, and any person who enters into a significant consulting or other similar agreement with us that is not specifically exempted. Our Code of Ethics requires our employees to serve the best interests of our clients in compliance with our status as a fiduciary, to comply with applicable federal securities laws and to report any violations of our Code of Ethics promptly to our Chief Compliance Officer. Among other things, each of our access persons (as defined in the rules and regulations promulgated under the Advisers Act) is generally required to pre-clear personal securities transactions and is also required to provide copies of periodic account statements,

annual securities holdings reports and quarterly securities transactions reports. Our Code of Ethics also includes insider trading policies and procedures. We make our Code of Ethics available to any investor or prospective investor who requests a copy. To request a copy, please contact our Chief Compliance Officer.

We seek to mitigate or avoid any conflicts of interest, to the extent reasonably possible. Despite our efforts, potential or actual conflicts of interest may still exist from time to time. We have carefully considered, and evaluate on an ongoing basis, the conflicts of interest that are inherent in our business and have adopted policies and procedures to properly address and disclose such conflicts. In certain situations, Aurora may consult with its internal Conflicts Committee, advisory committee of limited partners of the affected Fund and/or retain the assistance of a third party to evaluate and resolve such conflicts. The following are descriptions of the types of conflicts of interests that may arise and how we seek to address such conflicts.

From time to time, our officers, directors or affiliates may wish to co-invest in a transaction in which one of the Funds is making an investment. This may create a conflict of interest between the Fund and the relevant officer, director or affiliate. Pursuant to the limited partnership agreements of each of the Funds, co-investments are offered pursuant to specifically negotiated terms and conditions.

From time to time, we may cause one of the Funds or the Vehicles to buy or sell securities in which one of our officers, directors or affiliates has a material financial interest. In addition, Aurora and its affiliates may perform management, advisory, transaction-related, financial advisory and other services for, and in connection therewith, may receive fees from, actual or prospective portfolio companies of the Funds, including such fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, sales and similar transactions. The existence of such relationships may create a conflict of interest between the Fund and the relevant officer, director or affiliate. These potential conflicts are addressed in the limited partnership agreements of the Funds. Generally, transactions of this nature must be fair to the Fund and on terms no less favorable to the Fund than could be obtained on an arm's-length basis and/or must be approved by the limited partners of the Fund or an advisory committee of limited partners of the Fund. In some instances, reporting and notice requirements apply as well and will be provided in a timely manner.

From time to time, we may cause one of the Funds to purchase an investment from another Fund (known as a cross trade), which may create a conflict of interest in how we allocate that trade and the price and other terms of such trade. As with other transactions that may give rise to potential or actual conflicts of interest, any such cross trade must be approved by the limited partners of the applicable Funds and/or an advisory committee of limited partners of such Funds as specified in the limited partnership agreements of the Funds. In such a case, we will comply with applicable notice requirements in the limited partnership agreements of the Funds and will provide appropriate disclosure to the applicable advisory committees and/or limited partners regarding the proposed cross trade. In the absence of required consent, we will not proceed with the transaction.

## **Item 12            Brokerage Practices**

We invest primarily in privately negotiated investments, although we may occasionally acquire, sell or distribute public securities on behalf of the Funds and/or the Vehicles. When investing in privately-negotiated transactions, we believe we satisfy our best execution responsibilities through careful negotiation of the terms of the investment.

With respect to those limited instances in which we purchase, sell or distribute publicly-traded securities on behalf of our client through a broker-dealer, we will seek to satisfy our best execution obligations by considering all relevant facts and circumstances. We will generally seek competing bids and look for whether the transaction represents the best qualitative execution, including the price and size of the order, the trading characteristics of the securities involved, the value of research provided by each broker, the broker's execution abilities, commission rates, financial responsibility and responsiveness. However, Aurora may execute trades through broker-dealers that have acted as placement agents on behalf of the Funds or otherwise assisted our capital-raising efforts so long as we have determined that such broker-dealer is capable of delivering best execution in respect of our trades on behalf of our clients.

We do not generally have any soft dollar arrangements with any brokers whereby we can direct a broker to pay for external research services from a soft dollar account. To the extent we aggregate orders for the purchase or sale of securities on behalf of multiple clients, we will aggregate such orders as we deem appropriate and in the best interest of the participating clients, subject to any applicable provisions in the Fund's limited partnership agreements

## **Item 13            Review of Accounts**

We manage the Funds and the Vehicles on a day-to-day basis, as needed. The Funds' portfolio companies are closely reviewed by our principals and other investment professionals. Audited financial statements are prepared for each of the Funds following the end of each fiscal year, and unaudited financial statements are prepared for each of the Funds following the end of each fiscal quarter, in each case in accordance with the terms of the Funds' limited partnership agreements.

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

As noted above in response to Items 5 and 11, Aurora and its affiliates may perform management, advisory, transaction-related, financial advisory and other services for, and in connection therewith, may receive fees from, actual or prospective portfolio companies of the Funds, including such fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, sales and similar transactions. Although such fees are in addition to the management fees paid by the Funds, Aurora may, and in some circumstances is required pursuant to a Fund's limited partnership agreement to, reduce future management fees in connection with the receipt of these fees. The calculation of such offset varies from Fund to Fund and is described in the applicable limited partnership agreements. In some cases, the offset available to a Fund pursuant to the applicable limited partnership agreement excludes the portion of fees that is attributable to the Fund's co-investors in the relevant portfolio company and/or

that corresponds to the proportion of the Fund's partners who are exempt from paying management fees, which has the effect of reducing the effective percentage of the Fund's offset.

Aurora has entered into agreements with placement agents for the purpose of introducing investors during the fundraising period for a Fund. The compensation varies, but is generally based on the capital committed by the referred investors. Aurora discloses the use of such placement agents to its referred investors.

## **Item 15      Custody**

Aurora or its affiliates may have, or may be deemed to have, custody of certain of the funds and securities of the Funds and the Vehicles. Aurora is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") and satisfies or will satisfy its Custody Rule obligations with respect to each Fund or Vehicle by either: (i) complying with the provisions of the so-called "Pooled Vehicle Annual Audit Exception" with respect to such Fund or Vehicle, which, among other things, requires that each Fund or Vehicle be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund or Vehicle distribute its audited financial statements to all investors within 120 days of the end of its fiscal year or (ii) complying with the requirements related to quarterly delivery of account statements and annual independent verification, and any other applicable requirements of the Custody Rule with respect to such Fund or Vehicle. The Vehicles and their investors receive account statements on a quarterly or more frequent basis from Wells Fargo Bank, N.A. or another qualified custodian. Such Vehicles and their investors should carefully review those account statements and are urged to compare those account statements to other statements they may receive, including statements from Aurora, if any.

## **Item 16      Investment Discretion**

Aurora and its affiliates generally have the authority to make all investment determinations on behalf of the Funds and the Vehicles. The limited partnership agreements of the Funds generally impose some limitations on our investment discretion, which limitations can only be waived by the Fund's limited partners.

## **Item 17      Voting Client Securities**

We have adopted a Proxy Voting Policy to comply with Rule 206(4)-6 promulgated under the Advisers Act. The Proxy Voting Policy, which is designed to ensure that we vote proxies in the best interest of the Funds and the Vehicles and provide the Funds and the Vehicles with information about how their proxies are voted, contains procedures that have been reasonably designed to prevent and detect fraudulent, deceptive or manipulative acts by us. The Proxy Voting Policy is only applicable to investments by the Funds and the Vehicles in public securities.

It is our policy to vote proxies in the interest of maximizing shareholder value. To that end, we vote in a way that we believe, consistent with our fiduciary duty, will cause the value of the shares to increase the most or decline the least. Consideration is given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote. In

voting proxies, we believe our policies address any conflicts of interest between our interests on the one hand and the interests of the Funds and the Vehicles.

Neither the Funds nor the Vehicles are able to direct our vote in a particular solicitation.

We maintain records of all proxy statements received and votes cast in an easily accessible place for five years. Investors and prospective investors in the Funds and the Vehicles may request information from us about how we voted the securities held by the Funds and the Vehicles. We make our Proxy Voting Policy available to any investor or prospective investor who requests a copy. To request a copy, please contact our Chief Compliance Officer.

#### **Item 18        Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. However, when Aurora receives monitoring or transaction fees that are required to offset future Fund management fees, as specified in each Fund's limited partnership agreement, the amount of the future management fee offset may remain outstanding for more than six months and may extend through the termination date of the Fund. Depending on the terms of a particular Fund's limited partnership agreement, upon a Fund's termination the remaining unapplied management fee offset balance may be refunded by the general partner to the limited partners or may expire with no obligation to refund.

Aurora has not been the subject of a bankruptcy petition at any time during the past ten years.

#### **Item 19        Requirements for State-Registered Advisers**

Not applicable.