

**FORM ADV PART 2**

**INVESTMENT ADVISER**

**BROCHURE**

**RIVERSIDE PARTNERS L.L.C.**

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**March 2016**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Riverside Partners L.L.C. (“Riverside Partners”). If you have any questions about the contents of this Brochure, please contact us at (212) 265-6575. 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.**

Riverside Partners 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 Riverside Partners is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

Riverside Partners is updating its Brochure as of March 30, 2016 as part of its annual amendment filing. Since our last annual filing in March 2015, we have made certain updates to the description of the business practices of Riverside Partners (and its affiliates) and terms related to rights of certain Fund investors. Many of the additions and changes are for clarifying purposes. We have also added certain General Partner and Fund (each as defined herein) entities. Riverside, at any time, may update this Brochure and either send you a copy or offer to send you a copy (either by electronic mail or in hard copy form).

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## ITEM 4 – ADVISORY BUSINESS

Riverside Partners, the registered investment adviser, is a Delaware limited liability company. Riverside Partners and its affiliated investment advisers (collectively, “**Riverside**”) provide “investment supervisory services” to their clients, which consist of investment funds privately offered to qualified investors in the United States and elsewhere and two separately managed accounts. Riverside has been in business since 1988. Riverside Partners is controlled by Riverside Global Partners, LLC, its sole member, which is controlled and principally owned by Stewart Kohl and Béla Szigethy.

The following are certain of the affiliated advisers of Riverside Partners (collectively, the “**Advisers**”), which are deemed registered with the SEC under Riverside Partners’ registration:

### General Partners

- Riverside Capital Associates 2000, LLC (“**RCAF 2000 GP**”);
- Riverside Capital Associates 2003, LLC (“**RCAF 03 GP**”);
- RCAF V GP, LLC and RCAF V Associates, L.P. (collectively, “**RCAF V GP**”);
- RCAF VI GP, LLC, RCAF VI Associates, L.P. and RCAF VI Associates AIV, LLC (collectively, “**RCAF VI GP**”);
- RMCF I Associates, LLC (“**RMCF I GP**”);
- RMCF II SBIC, LLC and RMCF II Associates, LLC (collectively, “**RMCF II GP**”);
- RMCF III Associates, LLC and RMCF III Associates CIV, LLC (collectively “**RMCF III GP**”);
- RMCF IV GP, LLC, RMCF IV Associates, L.P. and RMCF IV Associates AIV, L.P. (collectively, “**RMCF IV GP**”);
- RSCF I GP, LLC and RSCF I Associates, L.P. (collectively, “**RSCF I GP**”);
- RSLF I GP, LLC and RSLF I Associates, L.P. (collectively, “**RSLF I GP**”);
- RAF I GP, LLC and RAF I Associates, L.P. (collectively, “**RAF I GP**”);
- RAF II GP, LLC and RAF II Associates, L.P. (collectively, “**RAF II GP**”);
- REF II Associates, LLC (“**REF II GP**”);
- REF III Associates, LLC (“**REF III GP**”);

- REF IV GP, LLC, REF IV Associates (Caymans), L.P. and REF IV Cayman Corporation Ltd. (collectively, “**REF IV GP**”);
- REF V GP, LLC and REF V Associates (Caymans), L.P. (collectively, “**REF V GP**”); and
- REF Fadata GP, LLC and REF Fadata Associates, L.P. (collectively, “**REF Fadata**” and together with RCAF 2000 GP, RCAF 03 GP, RCAF V GP, RCAF VI GP, RCMCF I GP, RCMCF II GP, RCMCF III GP, RCMCF IV GP, RSCF I GP, RSLF I GP, RAF I GP, RAF II GP, REF II GP, REF III GP, REF IV GP and REF V GP, the “**General Partners**”).

## Management Companies

- Riverside Asia Partners, LLC, operating through the following wholly-owned subsidiaries formed for tax and operational reasons in their respective local jurisdictions: Riverside Partners KK; Riverside Asia Partners Pty Limited; Riverside Asia Partners Limited; Riverside Asia Partners Pte. Ltd. and Riverside Asia Partners YH (collectively, “**Riverside Asia**”);
- Riverside Europe Partners, LLC, operating through the following wholly-owned subsidiaries formed for tax and operational reasons in their respective local jurisdictions: Riverside Europe Partners GmbH; Riverside España Partners S.L.; Riverside Europe Partners Sp. z.o.o.; Riverside Europe Partners SPRL; Riverside Europe Partners s.r.o; Riverside Europe Partners AB; Riverside Europe Partners BV; RE Partners Ltd.; and Riverside Europe Partners LLP (collectively, “**Riverside Europe**”); and
- Riverside Europe Partners (Caymans), L.P. (“**Riverside Europe Caymans**”) and Riverside Asia Partners (Caymans), L.P. (“**Riverside Asia Caymans**” and collectively with Riverside Europe Caymans, “**Riverside Cayman**,” and collectively with Riverside Partners, Riverside Asia and Riverside Europe, the “**Management Companies**”).

The General Partners and Management Companies listed above each serve as general partner or management company, as applicable, to one or more Funds and have the authority to make the investment decisions for the Funds to which they provide advisory services. Each General Partner and Management Company generally is registered under the Advisers Act pursuant to Riverside Partners’ registration in accordance with SEC guidance, although certain Advisers operate pursuant to relevant exemptions. This Brochure describes the business practices of Riverside Partners as well as the General Partners and Management Companies, which operate as a single advisory business. The Advisers’ clients include the following (together with any future private investment fund or separate managed account to which the Advisers or their affiliates provide investment advisory services, the “**Funds**”):

- 2000 Riverside Capital Appreciation Fund, L.P. (“**RCAF 2000**”);

- 2003 Riverside Capital Appreciation Fund, L.P.;
- 2003 Riverside Capital Appreciation Fund (QC), L.P. (collectively with 2003 Riverside Capital Appreciation Fund, L.P. (“**RCAF 03**”));
- Riverside Capital Appreciation Fund V, L.P.;
- Riverside Capital Appreciation Fund V-A, L.P. (collectively with Riverside Capital Appreciation Fund V, L.P., “**RCAF V**”);
- Riverside Capital Appreciation Fund VI, L.P.;
- Riverside Capital Appreciation Fund VI-A, L.P.;
- RCAF VI AIV II, L.P.;
- RCAF VI AIV I-A, L.P.;
- RCAF VI AIV I-B, L.P. (collectively with Riverside Capital Appreciation Fund VI, L.P., Riverside Capital Appreciation Fund VI-A, L.P., RCAF VI AIV II, L.P. and RCAF VI AIV I-A, L.P., “**RCAF VI**”);
- Riverside Micro-Cap Fund I, L.P. (“**RMCF I**”);
- Riverside Micro-Cap Fund II, L.P. (“**RMCF II**”);
- Riverside Micro-Cap Fund III, L.P. (“**RMCF III**”);
- Riverside Micro-Cap Fund IV, L.P.;
- Riverside Micro-Cap Fund IV-A, L.P.;
- RMCF IV AIV I, L.P. (collectively with Riverside Micro-Cap Fund IV, L.P. and Riverside Micro-Cap Fund IV-A, L.P., “**RMCF IV**”);
- TRC Derma, LLC (“**TRC Derma**”);
- Riverside Strategic Capital Fund I, L.P.;
- Riverside Strategic Capital Fund I-A, L.P. (collectively with Riverside Strategic Capital Fund I, L.P., “**RSCF I**”);
- Two separate managed accounts that invest in parallel with RSCF I;
- Riverside Asia Fund I, L.P. (“**RAF I**”);
- Riverside Asia-Pacific Fund II, L.P. (“**RAF II**”);

- Riverside Europe Fund II, L.P. (“**REF II**”);
- Riverside Europe Fund III, L.P. (“**REF III**”);
- Riverside Europe Fund IV, L.P. (“**REF IV**”);
- Riverside Europe Fund V, L.P. (“**REF V**”); and
- REF Fadata, L.P. (“**REF Fadata**”).

The Management Companies provide the day-to-day advisory services for the Funds. The General Partners also manage the following Funds formed primarily to allow certain persons to invest in certain portfolio investments made by certain of the Funds: RCAF V CIV XVI, L.P.; RCAF V CIV XIX, L.P.; RCAF V CIV XX L.P.; RCAF VI CIV XXIII, L.P.; RCAF VI CIV XXIV, L.P.; RCAF VI CIV XXVIII, L.P.; RCAF VI CIV XXX, L.P.; RCAF VI CIV XXX-A, L.P.; RCAF VI CIV XXXII, L.P.; RCMF II CIV XXII, L.P.; RCMF III CIV XXIX, L.P.; RCMF III CIV XXV, L.P.; RCMF III CIV XXVI, L.P.; RCMF III CIV XXVII, L.P.; RCMF III CIV XXXIV, L.P.; RCMF III CIV XXXI, L.P.; Riverside Asia-Pacific Fund II Co-Investment, L.P.; Riverside Asia Pacific Fund II PTE. Ltd.; REF III SPV II, L.P.; REF IV Associates (Caymans) LP Flow CIV SCS; REF IV Associates (Caymans) LP Child Wear CIV SCS, and Riverside Europe Fund V Co-Investment I, L.P. (collectively, and together with any future co-invest funds or other co-invest vehicles, the “**Co-Invest Funds**”).

## **Description of Advisory Services**

The Funds invest through negotiated transactions in operating entities, generally referred to herein as “**Portfolio Companies**” (and individually as a “**Portfolio Company**”). The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, overseeing such investments during the time they are held by a Fund and achieving dispositions for such investments. Although investments are made predominantly in non- public companies, investments in public companies are permitted. The senior principals or other personnel of the Advisers or their affiliates generally serve on a Portfolio Company’s board of directors or otherwise act to influence control or management of Portfolio Companies in which the Funds have invested. Additionally, as further described below, the Advisers may utilize certain experienced operating executives, who may be Adviser employees or independent contractors (“**Operating Partners**”) to provide services to certain Portfolio Companies in which one or more Funds invest.

The Advisers’ advisory services for the Funds are further described in the applicable private placement memorandum (each, a “**Memorandum**”) and limited partnership agreement or other governing document (each, a “**Partnership Agreement**”), as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement or side letters or similar agreements entered into by the Funds or the Advisers with certain investors (“**Side Letters**”). In addition, the Funds or Advisers may enter into Side Letters that have the effect of establishing

other rights under or altering or supplementing the relevant Partnership Agreement, including by providing, among other things, different information rights, co-investment rights, preferential fee arrangements, liquidity or transfer rights and other economic rights that may be material.

From time to time and as permitted by the relevant Partnership Agreement, the Advisers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in the Co-Invest Funds) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Advisers' personnel and/or certain other persons associated with the Advisers and/or its affiliates. The Co-Invest Funds typically invest and dispose of their investments in the applicable Portfolio Company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or Co-Invest Fund may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the Portfolio Company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or Co-Invest Fund is either permitted pursuant to the applicable Partnership Agreement, Memorandum and/or Side Letter or would be approved by the Fund's Advisory Committee and generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or Co-Invest Fund may be charged interest on the purchase to compensate the relevant Fund for the holding period and generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2015 the Advisers managed approximately \$5,473,916,216 in client assets on a discretionary basis.

**All discussions of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, the fees and other costs associated with an investment in the Funds and other terms, are qualified in their entirety by reference to each Fund's respective Memorandum (if any) and Partnership Agreement.**

## **ITEM 5 – FEES AND COMPENSATION**

From each of the Funds, pursuant to the applicable Partnership Agreement, the applicable Management Company receives a quarterly management fee (the “**Management Fee**”) in connection with advisory services provided to such Fund, and the applicable General Partner receives a carried interest, if any, upon the sale or disposition of investments. Generally, the Co-Invest Funds do not pay a Management Fee, but certain Co-Invest Funds are subject to carried interest, as described in the applicable governing document of each such Co-Invest Fund. Portfolio Companies owned by the Funds generally compensate the relevant Management Company for performing certain management and other services through closing and advisory fees (together, “**Advisory Fees**”), and such Advisory Fees will offset in whole or in part any Management Fees otherwise payable to the Management Companies by the Funds, as specified in the applicable Partnership Agreement and Memorandum and described further in this Section. Funds and Co-Invest Funds that do not pay Management Fees generally do not receive the ongoing benefits of such offsets. Advisory Fees received by the Management Companies from Portfolio Companies in respect of Funds or Co-Invest Funds that do not pay Management Fees do not offset Management Fees paid or payable by any other Fund, and as a result, a Fund will, in most cases, only benefit with respect to its allocable portion of any such Advisory Fees and

not the portion of any Advisory Fees that relates to such Funds or Co-Invest Funds that do not pay Management Fees.

The Funds also bear certain operating expenses as described below. Principals or other current and former employees of Riverside may receive a portion of the carried interest or other compensation received by the Advisers or their affiliates.

## **Management Fees**

The Management Fees paid with respect to the Funds are listed below. The Management Fee payable for any period other than a full three-month period generally is adjusted on a *pro rata* basis according to the actual number of days in such period, pursuant to the Partnership Agreement of each Fund.

### **1. RCAF 2000**

RCAF 2000 pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.00% of the aggregate capital commitments of the Fund's limited partners ("**Commitments**"), subject to reductions at the end of its investment period, generally, five years from the date of the Fund's final closing (the "**Investment Period**"), and in certain other circumstances, in each case, as specified in its Partnership Agreement. The last Management Fee due to Riverside Partners and paid by RCAF 2000 was in August 2012 and there are no further Management Fee obligations of RCAF 2000.

### **2. RCAF 03**

RCAF 03 pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.00% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

### **3. RCAF V**

RCAF V pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.25% of Commitments, subject to reductions at the end of its Investment Period, and in certain other circumstances, in each case, as specified in its Partnership Agreement.

### **4. RCAF VI**

RCAF VI pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.0% of Commitments, subject to reductions at the end of its Investment Period, and in certain other circumstances, in each case, as specified in its Partnership Agreement.

### **5. RMCF I**

RMCF I pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.25% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

6. *RMCF II*

RMCF II pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.00% of the sum of: (i) Commitments, subject to certain adjustments described in its Partnership Agreement; and (ii) an amount equal to the total amount of leverage projected by the Fund in the Fund's business plan as was approved by United States Small Business Administration, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

7. *RMCF III*

RMCF III pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.00% of the sum of: (i) Commitments, subject to certain adjustments described in its Partnership Agreement; and (ii) an amount equal to the total amount of leverage projected by the Fund in the Fund's business plan as was approved by United States Small Business Administration, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

8. *RMCF IV*

RMCF IV pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis, 2.00% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

9. *RSCF I*

RSCF I pays Riverside Partners, quarterly in advance, a Management Fee equal to, on an annual basis 1.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

10. *RAF I*

RAF I pays Riverside Asia, quarterly in advance, a Management Fee equal to, on an annual basis 2.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

11. *RAF II*

RAF II pays Riverside Asia Caymans, quarterly in advance, a Management Fee equal to, on an annual basis 2.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

12. *REF II*

REF II pays Riverside Europe, quarterly in advance, a Management Fee equal to, on an annual basis, 2.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

13. *REF III*

REF III pays Riverside Europe, quarterly in advance, a Management Fee equal to, on an annual basis, 2.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

14. *REF IV*

REF IV pays Riverside Europe Caymans, quarterly in advance, a Management Fee equal to, on an annual basis 2.50% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

15. *REF V*

REF V pays Riverside Europe, quarterly in advance, a Management Fee equal to, on an annual basis 2.00% of Commitments, subject to reductions at the end of its Investment Period and in certain other circumstances, in each case, as specified in its Partnership Agreement.

**Performance-Based Fees**

See Item 6 below for information regarding performance-based fees received by affiliates of Riverside with respect to the Funds.

**Other Fees and Expenses**

The Management Fee of certain Funds is reduced by a portion of directors' fees, consulting fees, and any Advisory Fees paid by Portfolio Companies to Riverside Partners, a General Partner or its personnel, including consulting fees paid in connection with mergers, acquisitions, financings, sales and similar transactions. The remaining amount of such fees received by the applicable General Partner without offset against the Management Fee is hereinafter referred to as "**Supplemental Fees**." Both the amount of Advisory Fees offset and the amount of Supplemental Fees retained without offset may be substantial. Riverside Partners and/or its affiliates generally have discretion over whether to charge transaction fees, Advisory Fees or other similar fees to a Portfolio Company and, if so, the rate, timing and/or amount of such fees. The receipt of such fees may give rise to conflicts of interest between a Fund, on the one hand, and Riverside Partners and/or its affiliates on the other hand.

As further detailed in the applicable Memorandum and Partnership Agreement of each Fund, it is the Advisers' practice to retain or engage certain Operating Partners to provide services to certain Portfolio Companies in which the Funds invest. Such Operating Partners generally provide services related to the acquisition, holding, growth and improvement of Portfolio Companies, including operational aspects of such companies. In performing these services, Operating Partners may serve in management or policy-making positions at Portfolio Companies. Operating Partners are either independent contractors or employees of an Adviser.

Operating Partners who are not employees of an Adviser receive compensation directly from Portfolio Companies and/or, to a limited extent, the applicable Funds subject to the

Partnership Agreements of each Fund. Operating Partners who are employees of an Adviser receive compensation from such Adviser. If permitted by the applicable Partnership Agreement (and with advisory committee approval if required), Portfolio Companies, and in limited circumstances, the Funds, may reimburse an Adviser for some or all of the compensation paid to Operating Partners. The costs of such compensation reimbursement are wholly (in the case of a Fund reimbursement) or partially (generally in the case of a Portfolio Company reimbursement) borne by the Limited Partners. In limited circumstances, if a Partnership Agreement does not specifically permit the reimbursement of Operating Partners who are employees of an Adviser, the Adviser may be reimbursed by the Fund for services performed by Operating Partners at a Portfolio Company and such reimbursement would be treated as “Fee Income” (as defined in and in accordance with the applicable Partnership Agreement).

Operating Partners (whether or not they are employees of an Adviser) may be given the opportunity to invest in one or more Funds, typically through the General Partners. Additionally, under certain Funds’ Partnership Agreements, Operating Partners (whether or not they are employees of an Adviser) may receive a profits or equity interest (*e.g.*, options) in each Portfolio Company where they perform services. The use of Operating Partners subjects the Advisers to conflicts of interest, as discussed under “Conflicts of Interest,” herein.

Certain Partnership Agreements permit the relevant Management Company to waive a portion of the Management Fee, and any waived portion of such Management Fee is contributed to the relevant Fund and is treated as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund’s Portfolio Companies on such General Partner’s behalf. Any such contribution reduces the amount of capital contributions the relevant General Partner would otherwise be required to contribute to the relevant Fund.

The General Partner does not pay a Management Fee. Adviser employees and Operating Partners who invest in a Fund or Co-Invest Fund invest through the General Partner so in such instances, employee investors generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund or Co-Invest Fund. Additionally, to the extent not restricted by the relevant Partnership Agreement, certain Advisers 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 Management Fee generally will be payable until the end of a Fund’s term (as may be extended under the Partnership Agreement) and as otherwise specified in each Fund’s Partnership Agreement, or until the Fund is terminated for other reasons (as described in each Partnership Agreement). In addition, each General Partner will receive a carried interest from investors’ proceeds in certain of the Funds generally at 20% of all realized profits after a designated preferred return (as more fully described in each Partnership Agreement). The General Partner also will receive carried interest from investors in certain of the Co-Invest Funds in an amount generally between 10% and 20% of all realized profits after a designated preferred return (as more fully described in each Partnership Agreement). The carried interest received by a General Partner from the Funds is subject to a potential clawback, most often at the end of the life of the applicable Fund, if the General Partner has received excess cumulative distributions, as defined in the relevant Funds’ Partnership Agreements.

The Funds generally invest on a long-term basis. Accordingly, investors generally are not permitted to withdraw or redeem interests in a Fund.

As described in each Partnership Agreement, a Fund typically pays (or reimburses the relevant Adviser) its organizational expenses up to a specified amount. In addition, a Fund generally pays (or reimburses the relevant Adviser) for its proportionate share of expenses associated with the Partnership's operation, including, without limitation: any applicable Management Fees; expenses, including travel and travel-related expenses (such as meal and entertainment expenses), related to evaluating and negotiating prospective and actual investments (including, but not limited to, temporary investments and transactions not consummated (the latter expenses hereinafter referred to as "**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors; expenses related to acquiring, holding, managing and disposing of actual investments; Fund indemnification obligations; expenses associated with the engagement of professionals, including legal, accounting, auditing, and investment banking; expenses associated with tax and accounting reports; tax payment obligations of the Fund; financing, real estate, title, appraisal, printing, reporting, custody, depository, transfer, registration, insurance, advisory board, limited partner meetings, interest and other expenses associated with the Fund's administration and operation that are not (i) borne by the relevant Adviser or (ii) allocable to a Co-Invest Fund formed to co-invest alongside a Fund. Riverside's policy is to allocate expenses applicable to multiple Funds among such Funds in a fair and equitable manner, consistent with its fiduciary obligations. Co-Invest Funds generally are formed in connection with the consummation of a transaction. Accordingly, where a proposed transaction is not consummated, no Co-Invest Fund generally will have been formed, and the full amount of any Broken Deal Expenses relating to any such proposed transaction would therefore be borne by the Fund or Funds selected by the applicable General Partner as proposed investors for such proposed transaction. In some cases, a Co-Invest Fund is expected to pay its *pro rata* share of Broken Deal Expenses under a separate capital call.

Riverside may also charge an annual fee to each Portfolio Company and/or be reimbursed by Portfolio Companies for various other services arranged by Riverside. Riverside assists Portfolio Companies by leveraging economies of scale to offer various third-party services at a discount. Examples of these expenses borne by Portfolio Companies (and indirectly by Limited Partners) include but are not limited to: (i) third-party fees, costs and expenses such as Directors' & Officers' Insurance, Director & Officers' captive premiums and cybersecurity and data privacy consultation, advice and insurance; (ii) the proportionate share, as determined in good faith by the General Partner, of the fees, costs and expenses related to managing any pooled supplies or materials purchasing program used by Portfolio Companies and maintaining and operating BRAD or an equivalent deal flow system; and (iii) attendance at industry, trade or similar conferences. In no instance will the costs and expenses described in the preceding sentence exceed the actual costs and expenses incurred by Riverside. In addition, the Portfolio Companies (and indirectly, the Limited Partners) bear expenses associated with tuition and room and board of employees of any Portfolio Company to participate in or attend Riverside Portfolio Company programs, including Riverside University. To the extent any of the foregoing fees are not reimbursed by the applicable Portfolio Company, the relevant Fund will bear such unreimbursed amount as a Partnership Expense. Some of the services paid for by Portfolio Companies may serve to benefit the Management Company (e.g. Directors' and Officers' Insurance).

Additionally, as described more fully in the applicable Memorandum, under specific circumstances, certain Riverside employees or consultants may provide services to Portfolio Companies, whether on a one-time or more substantive basis, that typically could otherwise be performed by unaffiliated third-party consultants or other service providers. In connection with such services, the applicable Management Companies may be reimbursed for these costs by such Portfolio Companies including reimbursement for the compensation, bonuses, and benefits of a Riverside employee or consultant working (i) full time as a Portfolio Company executive or (ii) providing Asian sourcing advice to the Portfolio Company, as such applicable Partnership Agreement may permit. The relevant Adviser approves reimbursement or payment of compensation and benefits by the Portfolio Companies with a view to ensuring such items are appropriate in light of the position, as well as the Portfolio Company's industry and stage of development. Such reimbursements generally will not offset the Management Fee payable by any Fund, as described in by the applicable Partnership Agreement, unless such reimbursement specifically is not permitted by a Partnership Agreement. In such instances, any reimbursement to the Management Companies would be treated as "Fee Income" (as defined in and subject to the Partnership Agreement) and may, in most cases, offset all or a portion of the Management Fees paid by the Funds.

Subject to the relevant Partnership Agreement and the paragraph above, the applicable Adviser generally will bear all of its own operating and overhead costs and expenses, including rent and, in general, salaries and benefits of its employees.

To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

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

As described under "Fees and Compensation," the General Partners receive a carried interest allocation on certain realized profits in the Funds, including certain of the Co-Invest Funds and the separately managed accounts. A performance-based allocation is an allocation representing an asset manager's compensation based on a percentage of net profits of the fund being managed. Riverside also manages certain Co-Invest Funds that are not charged a performance-based fee. Although this practice could present a conflict of interest because the General Partners have an incentive to favor accounts for which they receive performance-based compensation, Riverside does not believe this arrangement poses a conflict of interest in practice because the Co-Invest Funds co-invest alongside the applicable Fund at substantially the same time and on substantially the same terms as the Fund and dispose of such investments in a similar manner.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Riverside generally considers performance-based compensation to better align its interests with those of its investors.

## ITEM 7 – TYPES OF CLIENTS

The Advisers provide investment advice to the Funds, which 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 “**Investment Company Act**”). 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, senior advisors or other current and former employees of the Advisers and their affiliates, members of their families, Operating Partners or other service providers retained by the Advisers. The Advisers also provide investment advice to two separately managed accounts that invest in parallel with RSCF I.

The Funds generally have minimum investment amounts between \$1 million and \$5 million for third-party investors, and Fund interests are offered and sold solely to accredited investors and qualified clients. Each General Partner reserves the right, in its sole discretion, to accept commitments of less than the specified minimum amount, and the General Partners have accepted commitments of less than the minimum amounts.

The General Partners select which investors are permitted to invest in the Co-Invest Funds based on various factors, including the perceived ability of the investor to fund and complete the investment on a timely basis, perceived ability to participate in add-on investments, historically expressed interest in co-investments, alignment of management interests, as an incentive for the investor to invest in other products sponsored by the Advisers or their affiliates, any agreement by the co-investor to pay management fees and/or carried interest on its co-investment, and for strategic or other reasons as more fully described in the applicable Partnership Agreement and in Item 10 -- “Other Financial Industry Activities and Affiliates”. Unless required by the Riverside Investment Allocations/Co-Investment Policy, the relevant Partnership Agreement(s) and/or Side Letters, no General Partner is obligated to make co-investment opportunities available to any or all limited partners of a Fund or other persons.

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

### General

The Advisers’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, overseeing such investments during the time they are held by a Fund and achieving dispositions for investments.

*RCAF 2000, RCAF 03 and RCAF V.* Each of RCAF 2000, RCAF 03 and RCAF V seek to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies Portfolio Companies headquartered in North America, which generally have enterprise values ranging from approximately \$10 million to \$150 million and earnings before interest, taxes, depreciation, and amortization (“**EBITDA**”) between \$5 million and \$15 million.

*RCAF VI.* RCAF VI seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies headquartered in North America, which generally have enterprise values ranging from approximately \$10 million to \$150 million and EBITDA less than \$25 million.

*RMCF I, RMCF II and RMCF III.* Each of RMCF, RMCF II and RMCF III seek to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies which typically have enterprise values ranging from approximately \$1 million to approximately \$40 million and EBITDA up to approximately \$5 million and, subject to the Small Business Investment Act of 1958, as amended, in the case of RMCF II and RMCF III, which are organized, headquartered or principally operating in the United States.

*RMCF IV.* RMCF IV seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in companies that generally have EBITDA of \$7 million or less and are organized, headquartered, principally operating, have a majority of their assets or generate a majority of their revenues in the United States or Canada.

*RSCF I.* RSCF I seeks to realize long-term capital appreciation through non-control junior capital investments primarily to non-sponsored companies which typically have EBITDA ranging from approximately \$5 million to approximately \$25 million (although investments in companies with less than \$5 million EBITDA may be considered).

*RAF I.* RAF I seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies headquartered in Australia, The Republic of China's special administrative region of Hong Kong, Japan, the Republic of Korea, Singapore, the People's Republic of China (excluding the special administrative region of Hong Kong), India, Indonesia, Malaysia, New Zealand, the Philippines, Thailand, Taiwan and Vietnam, which generally have enterprise values ranging from approximately \$10 million to \$150 million and EBITDA between \$4 million and \$15 million.

*RAF II.* RAF II seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies headquartered in developed Asia, primarily in Australia, New Zealand, The Republic of China's special administrative region of Hong Kong, Japan, the Republic of Korea and Singapore, which generally have EBITDA between \$4 million and \$15 million

*REF II.* REF II seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies (i) which have enterprise values ranging from approximately €10 million to €75 million and (ii) which are organized, headquartered or principally operating in Europe.

*REF III.* REF III seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies (i) which have enterprise values ranging from approximately €10 million to €75 million and (ii) which are organized, headquartered or principally operating in Europe.

*REF IV.* REF IV seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies (i) which have enterprise values ranging from approximately €10 million to €150 million and (ii) which are organized, headquartered or principally operating in the European Union, Switzerland, Norway and Turkey.

*REF V.* REF V seeks to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling private equity investments in small to medium-sized companies (i) which have EBITDA of more than €5 million and less than €25 million and (ii) which are organized, headquartered or principally operating in the European Union, central Europe, Switzerland and Norway.

On a selective and limited basis, a Fund (other than RSCF I) may acquire minority equity positions, including minority equity positions in public companies where the intent is to gain control of the public company. After acquiring a Portfolio Company, a Fund will attempt to grow that Portfolio Company, both organically and through add-on acquisitions. Following a Fund's Investment Period, such Fund will no longer actively seek to make new platform investments in Portfolio Companies but may pursue add-on investments in Portfolio Companies throughout its term, in accordance with the relevant Partnership Agreement and Memorandum.

A Fund may also co-invest with other funds managed by the Advisers or their affiliates (collectively, the “**Permitted Funds**”) in the acquisition of a Portfolio Company or for the purpose of facilitating add-on acquisitions to a Portfolio Company of any Permitted Fund, subject to the provisions of each Permitted Fund's governing document. Where required by the relevant Partnership Agreement(s), a Fund will not make a cross-fund investment unless each Fund's limited partner advisory committee (the “**Advisory Committee**”) approves the valuation of the investment.

Each Fund's Partnership Agreement includes certain investment restrictions, which in some cases may be waived with the approval of the Fund's Advisory Committee.

There can be no assurance that the Advisers will achieve the investment objectives of any Fund, and a loss of investment is possible.

## **Investment and Operating Strategy**

The four key elements of the Advisers' investment strategy and process are: deal origination; transaction review and execution process; post-acquisition management; and exiting and value realization. The Advisers seek to acquire Portfolio Companies with attractive market positions that can grow significantly, and pursue Portfolio Company candidates that generally meet the criteria described above for each respective Fund and which have what the Advisers believe to be good growth prospects.

While Riverside is a generalist investor that tends to focus on companies that reflect the criteria above, Riverside has also developed industry specializations in areas where it has completed a significant number of transactions and has particular knowledge. In these areas of concentration, which include health care, specialty manufacturing and distribution, education and training, consumer brands, franchising, business service, and software and IT services, Riverside uses its industry specialization as a marketing tool to reach out to intermediaries serving these niches, and to sellers seeking a buyer that has a competitive advantage in their industry.

For each Portfolio Company, the Advisers seek to identify a clear and credible strategy both to increase earnings and qualitatively improve the company, thereby optimizing its exit valuation. The use of Operating Partners is critical in this regard, as they work with the Portfolio Companies to increase sales, EBITDA and growth rate.

### **Risks Relating to an Investment in the Funds**

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

*Long-Term Nature of Investment; No Assurance of Investment Return.* The relevant Adviser's task of identifying and negotiating investment opportunities, managing such investments and realizing a significant return for investors is typically a long, time-consuming process with no certainty of return of investment. There will likely be little if any near-term cash flow available to the limited partners, and there is no assurance that any Fund will be able to invest its capital on attractive terms, generate returns for the limited partners or return the capital contributed by them.

*Dependence on Key Personnel.* The success of each Fund will be highly dependent on the financial and managerial expertise of Messrs. Béla Szigethy and Stewart Kohl (the "**Managing Members**") and the managers of the relevant Fund (together with the Managing Members, the "**Principals**"), and other individuals employed by the Advisers or their affiliates. Limited partners will be relying entirely on the Principals to manage the business of the relevant Fund. There can be no assurance that the Principals or the other key investment professionals will continue to be associated with or employed by the Advisers or their affiliates throughout the life of the relevant Fund. The loss of one or more of these individuals could have a material adverse effect on the performance of such Fund.

*Limited Prior History; Relation of Previous Investment Programs.* Certain of the Funds have a limited operating history. The prior investment results of the Advisers are not indicative of such Funds' future investment results. The nature of and risk associated with a Fund's future investments may differ substantially from those investments and strategies undertaken historically by the Principals or other individuals employed by the Advisers or their affiliates. Past performance is not necessarily indicative of future results, and is no guarantee of future performance. There can be no assurance that a Fund's investments will perform as well as the past investments of the Principals or other individuals employed by the Advisers or their affiliates or that such Fund will be able to avoid losses.

*Risks Relating to Non-U.S. Investments.* Certain non-U.S. investments involve risks and special considerations not typically associated with U.S. investments. Such risks may include but are not limited to (i) differing business cultures and legal regimes, (ii) greater price fluctuations and market volatility, less liquidity and smaller capitalization of securities markets, (iii) currency exchange rate fluctuations, (iv) higher rates of inflation, (v) controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on a Fund's ability to exchange local currencies for U.S. dollars, (vi) greater governmental involvement in and control over the economies, (vii) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers, (viii) less extensive regulation of the securities markets, (ix) longer settlement periods for securities transactions, (x) differences in tax regimes (including potential withholding obligations on proceeds paid from a Fund) and changes in tax treaties or U.S. tax law regarding foreign investments and (xi) less developed corporate laws regarding fiduciary duties and the protection of investors.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). A General Partner may pursue investments outside of the industries and sectors in which an Adviser has previously made investments or has internal operational experience.

### **Risks Related to a Fund's Investments in Portfolio Companies**

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a Portfolio Company is subject to cyber-attack or other unauthorized access is gained to a Portfolio Company's systems, such Portfolio Company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or Portfolio Company financial information; (iii) Portfolio Company software, contact lists or other databases; (iv) Portfolio Company proprietary information or trade secrets; or (v) other items. In certain events, a Portfolio Company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a Portfolio Company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Riverside or one of its service providers holding its financial or investor data, Riverside, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Riverside's policies.

*Deemed Joint Employment or Control.* There is a risk to the Funds if the Fair Labor Standards Act, the Migrant and Seasonal Agricultural Worker Protection Act or other laws, rules or regulatory interpretations would deem the Funds, the Advisers or various Portfolio Companies to be a single "employer," "control group" or similar term. In some cases, it may not be possible to limit liabilities across such entities.

*Difficulty of Locating Suitable Investments; Competitive Marketplace.* The success of each Fund will depend on the relevant Principals' ability to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments on terms favorable to such Fund. Riverside employs dedicated personnel ("**Origination Professionals**") to identify attractive investment opportunities suitable for each Fund. Although in the past, the Origination Professionals have found a sufficient number of suitable investment opportunities that meet the Funds' investment objectives, there are no assurances that there will be, or the Origination Professionals will find a sufficient number of, suitable investment opportunities to enable a Fund to invest all of its committed capital in opportunities that satisfy such Fund's investment objectives, or that such investment opportunities will lead to completed investments by such Fund. Many of the investment opportunities identified by the Origination Professionals are through auctions or limited auctions where there is a substantial amount of competition among prospective buyers of these companies, including other private equity firms. There can be no assurances that once Riverside identifies an investment opportunity the seller will select Riverside to acquire the relevant Portfolio Company. Further, even if Riverside is selected, there can be no assurances that the Portfolio Company will still be deemed an appropriate investment opportunity for the Fund after due diligence is completed.

*Nature and Illiquidity of Fund Investments.* Almost all of the Funds' investments will be highly illiquid, and there can be no assurances that any Fund will be able to realize a positive return on such investments. The illiquidity of the Funds' investments is the result of several factors, including the following:

- Each Fund generally will invest in illiquid securities of privately held companies, and will often seek to generate returns by selling these securities in a private sale to a strategic buyer or to another private equity firm. There can be no assurances that any Fund will be able to complete sales of Portfolio Company securities at attractive prices and otherwise on acceptable terms and conditions.
- Each Fund may also attempt to sell Portfolio Company securities in a public offering. Any such public offering of securities would require a substantial investment of time and attention by the Principals and other key investment professionals and a substantial cash expense by the Portfolio Company whose securities are being registered, in part because the laws of the U.S. and non-U.S. jurisdictions where the Portfolio Companies are located and the regulations of applicable securities exchanges can be quite burdensome and complex in connection with such an offering. There can be no assurances a market for the securities of any Portfolio Company would exist even following a public offering.
- The cultivation of an investment for disposition, together with the disposition itself, may involve a substantial amount of time. Even when an investment is successfully disposed, some of the consideration may be deferred through the use of lock ups, earn-outs, promissory notes, escrows, holdbacks and other similar arrangements.

A significant portion of each Fund's investments (other than the debt securities of RSCF I) will be in equity or equity-related investments which, by their nature, involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial loss of principal. There can be no assurance that the Principals and other key investment professionals will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. A variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Fund's activities. As a result, such Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods or over the life of the Fund.

A portion of each Fund's investments may involve turnaround or under-performing companies or companies identified by the Principals as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged and any investments in them may involve additional risk.

*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 a Fund and its Portfolio Companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's Portfolio Companies.

*Health Care Regulation, Reimbursement and Reform.* Various segments of the health care industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which a Fund invests. Recent legislative changes have had, and will likely continue to have, a significant impact on the health care industry. In addition, various legislative proposals related to the health care industry are introduced from time to time at the United States federal and state level, and any such proposals, if adopted, could have a significant impact on the health care industry.

*Leverage.* In general, each Portfolio Company will be acquired using a combination of equity and debt as part of the purchase consideration. Although the relevant Adviser will seek to use leverage on behalf of each Portfolio Company in a manner the Principals believe is prudent, the leveraged capital structure of Portfolio Companies will increase the exposure of those companies to adverse economic factors such as rising interest rates (which recently have been at or near historic lows), downturns in the economy or deterioration in the condition of the Portfolio Company or its industry. Because a portion of the securities in which a Fund will invest will likely be among the most junior in a Portfolio Company's capital structure, the inability of a Portfolio Company to service its debt obligations could result in a loss of principal in such Fund's investments. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. The use of leverage by a Portfolio Company also will result in interest expense and other costs to such Portfolio Company that will decrease the appreciation of the investments of the Fund that holds such Portfolio Company.

*Fund Line of Credit.* Each Fund generally employs a capital call line of credit (a "**Fund Line**") to provide flexibility in closing transactions and to reduce the frequency of capital calls issued to investors. The Fund Line is secured by the capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund should the Fund default on repayment of the Fund Line. In addition, the Fund Line may be used to provide guaranties to banks or other financial institutions who are lenders directly to the Portfolio Companies. The Fund Line may remain outstanding from 90 days to twelve months, depending on each Fund's Partnership Agreement.

*Need for Additional Capital, Support Equity and Add-on Acquisitions.* A Fund may be called upon by the Principals to provide follow-on funding for Portfolio Companies for support equity or to finance add-on acquisitions. There can be no assurance that such Fund will have sufficient capital to do so, and, even if it does have sufficient capital, it may be limited by restrictions on the amount of capital it can invest in any one Portfolio Company and its affiliates. Any decision by the Principals not to invest additional capital, or such Fund's inability to invest additional capital, may have a substantial negative impact on a Portfolio Company in need of such an investment or may diminish such Fund's ability to influence the Portfolio Company's future development.

*Funds Acting as Guarantor.* A Fund may originate and serve as a guarantor for acquisition financing or refinancing for an existing or potential Fund Portfolio Company. As described under "Conflicts of Interest", any lenders selected may also be investors or co-investors in Funds. There can be no assurance that the Portfolio Company will repay such loans and therefore the Fund capital may be called upon in the event loans are not repaid in full.

*Growth Equity Transactions.* A Fund may make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity Portfolio Companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity Portfolio Companies may face intense competition, including from companies with greater

financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Portfolio Concentration.* A Fund's portfolio may include a number of large positions. While the related portfolio concentration may enhance total returns to limited partners, if any large position has a material loss, then returns to the limited partners may be lower than if they had invested in a more diversified portfolio. Generally, without the approval of each Fund's Advisory Committee, the amount each Fund may invest in each Portfolio Company is limited to 15% of total capital commitments of that Fund.

*General Business Risks.* The investment results of each Fund will depend on the performance of its related Portfolio Companies. Such Portfolio Companies could pursue incorrect business strategies or encounter operating difficulties that could lead to losses in such Fund's investments.

*Bankruptcy of Portfolio Companies.* A Fund may invest in or hold investments in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the Adviser will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a Portfolio Company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested. Additionally, various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of such Fund. There is also a risk that a court may subordinate a Fund's investment to other creditors or require a Fund to return amounts previously paid to it by a Portfolio Company that became insolvent or files for bankruptcy, a risk that could increase if such Fund has management rights in such Portfolio Company.

*Unspecified Use of Proceeds.* Purchasers of interests in a Fund will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding any future investments made by such Fund and, accordingly, will be dependent upon the judgment and ability of the Advisers and the Principals in investing and managing the capital of such Fund. No assurance can be given that a Fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of a Fund will be achieved.

*Certain Investments May Be Made Outside of a Fund's Investment Objectives (RCAF V and RCAF VI only).* Subject to certain tax-related investment restrictions set forth in RCAF V's and RCAF VI's Partnership Agreements, each of RCAF V and RCAF VI is permitted to invest up to 15% of its committed capital in transactions that fall outside the investment objectives described in the applicable Partnership Agreement. As a result, there are few limitations on the

types of investments that Riverside Partners and RCAF V GP or RCAF VI GP may make using this capital. For example, this capital may be invested in the following types of transactions that would otherwise be prohibited under the Partnership Agreement: real estate; oil and gas; derivatives; or other securities as determined by Riverside Partners and RCAF V GP or RCAF VI GP in their sole discretion. Additionally, RCAF V may invest up to 15% of total commitments and RCAF VI may invest up to 10% of total commitments in Portfolio Companies outside of the United States and Canada. Purchasers of interests in RCAF V and RCAF VI are dependent upon the judgment of Riverside Partners and RCAF V GP or RCAF VI GP in selecting these investments.

*Material Non-public Information.* As a result of the operations of the Advisers and their affiliates, the Advisers frequently come into possession of confidential or material non-public information. Therefore, the Advisers and their affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Advisers' internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

## **Risks Related to Management of the Fund and its Investments**

*Risks Arising from Provisions of Managerial Assistance.* The Advisers generally seek to conduct each Fund's operations so that such Fund's assets are not treated as plan assets as defined under Section 3(42) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations thereunder (the "**Plan Asset Regulations**") including, without limitation, by qualifying a Fund as a "venture capital operating company." To qualify as a venture capital operating company, at least 50% of the relevant Fund's assets must be invested in qualifying venture capital investments under the Plan Asset Regulations, which will require the Fund to obtain rights to participate substantially in and to influence substantially the conduct of the management of the Portfolio Companies comprising qualifying investments. A Fund will typically designate directors to serve on the boards of directors of Portfolio Companies. The designation of directors and other measures contemplated could expose the assets of such Fund to claims by a Portfolio Company, its security holders and its creditors. While the Advisers intend to manage each Fund in a way that will reduce exposure to such risks, the possibility of successful claims cannot be precluded.

*ERISA-Related Risks.* To the extent a Fund is operated to maintain qualification as a venture capital operating company, such Fund could be precluded from making certain investments. In addition, attempting to maintain such qualification could further require such Fund to accelerate or delay the liquidation of Fund investments, resulting in lower proceeds to such Fund than might have been the case without the need for qualification. If a Fund's assets are treated as plan assets, interests of certain investors that are "benefit plan investors" within the meaning of Section 3(42) of ERISA could be fully or partially redeemed, or the Fund could be dissolved, in certain circumstances. In addition, for any period of time that a Fund's assets are deemed to be plan assets, the operations of such Fund and its investments could be restricted by

ERISA's prohibited transaction and fiduciary rules. These risks may adversely affect all investors, not just those that are benefit plan investors.

*Time and Attention of Principals.* The Principals intend to devote substantially all of their business time and attention to the management of each of their respective Funds. The Managing Members are also responsible for spending substantially all of their business time and attention managing all Funds, and may in the future, also spend time to organize, sponsor, manage and operate additional investment funds (subject to the limitations described in the relevant Partnership Agreement). The Principals are also permitted to pursue certain other business activities outside the Fund. Nothing contained herein or in any Partnership Agreement will restrict or prohibit the Principals, any General Partner or Management Company, or their respective affiliates in this regard.

*Diverse Limited Partner Group.* The limited partners include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. As a result, limited partners may have conflicting investment, tax and other interests with respect to their investments in any Fund. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by such Fund, the structuring of the acquisition of investments and the timing of the disposition of investments and the various tax laws applicable to various limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by the Advisers, including with respect to the nature or structuring of investments, that may be more beneficial for one limited partner than for another limited partner, especially with respect to limited partners' individual tax situations. Subject to specific provisions outlined in each Partnership Agreement and Memorandum, the relevant Advisers will generally consider the investment and tax objectives of the relevant Fund and its limited partners as a whole in making investments, and will use reasonable best efforts to structure portfolio investments in as tax-efficient a manner as possible.

*Carried Interest.* The generation of "carried interest" by a Fund on behalf of the relevant General Partner may create an incentive for such General Partner to cause such Fund to make riskier or more speculative investments than would be the case in the absence of this arrangement. In addition, the existence of "carried interest" may create conflicts of interest with respect to the management and disposition of investments, including the timing of dispositions.

*Management Fee and Fund Expenses.* Each Fund will pay its relevant Management Fee and certain costs and expenses, which will reduce actual returns to investors. These fees and expenses will be paid regardless of whether the Fund produces positive investment returns. If a Fund does not produce significant positive investment returns, its fees and expenses could reduce the amount of the investment recovered by a limited partner to an amount less than the amount contributed by the limited partner to such Fund for investments in Portfolio Companies. The Advisers or their affiliates may receive certain fees from Portfolio Companies in connection with consummated and unconsummated transactions (*i.e.*, directors' fees, consulting fees, monitoring and transaction fees and certain other fees). If received, some or all of such fees will be for the benefit of the limited partners, depending on the provisions of each Fund's Partnership Agreement.

*Public Disclosure Obligations.* A Fund may be required to disclose confidential information relating to its investments and its financial results to third parties that may request such information if and to the extent required by law. Such disclosure obligations may adversely affect certain limited partners, particularly limited partners who are not otherwise subject to public disclosure of information relating to the private holdings of the fund in which they invest.

## **Risks Related to the Disposition of Investments in Portfolio Companies**

*Contingent Liabilities on Disposition.* In connection with the disposition of its investments, a Fund will be required to make representations about the business and financial affairs of the Portfolio Company being sold. Such Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements will expose such Fund to contingent liabilities that ultimately might yield funding obligations that must be directly or indirectly satisfied by the limited partners, to the extent required by the Partnership Agreement.

*Difficulty Making Dispositions.* Because certain of a Fund's investments may be in Portfolio Companies that are highly illiquid, such Fund may experience difficulty in disposing of certain of its investments at opportune times or valuations, or at all.

*Distributions in Kind.* Although, under normal circumstances, each Fund intends to make distributions in cash, it is possible that under certain limited circumstances (including the liquidation of a Fund), distributions may be made in kind and could consist of securities for which there is no readily available public market or securities of entities unable to meet required interest or sinking fund payments. Distributions in kind to the partners of a Fund may be difficult to liquidate at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. 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 applicable General Partner with respect to such investment.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of Portfolio Companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States ("GAAP"). There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in

fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

## **Other Risks**

*No Right to Control the Fund's Operations.* Although the General Partner will consult with, and in certain limited circumstances be required to, seek the approval of the Advisory Committee, limited partners will have no opportunity to control a Fund's day-to-day operations, including investment and disposition decisions. In order to safeguard their limited liability, limited partners must rely entirely on the relevant General Partner and Management Company to conduct and manage the affairs of the relevant Fund.

*Penalty for Failure to Make Capital Contributions.* Forfeiture of all or a portion of a limited partner's interest could occur upon failure to make any installment payment of its Commitment, including amounts relating to Management Fees.

*Indemnification.* The relevant General Partner and Management Company, the members of the relevant Fund's Advisory Committee, and their respective members, partners, officers, directors, shareholders, employees, advisors, agents, affiliates and personnel will be entitled to indemnification out of the assets of each Fund (excluding certain leverage), except in certain limited circumstances. Limited partners may be required to make capital contributions and return distributions to satisfy indemnification obligations. Such obligations will survive the dissolution of the relevant Fund.

*Tax, Regulatory and Legal Risks.* The regulatory considerations affecting the ability of each Fund to achieve its investment objectives are complicated and subject to change. In addition, other tax, regulatory and legal changes could occur during the term of a Fund that may adversely affect such Fund.

*Individual Tax Situations.* There can be no assurance that the structure of a Fund or of any investment will be tax-efficient to any particular investor. Investors are urged to consult their own tax advisers with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax exempt and non-U.S. investors, with regard to any special issues that an investment in the Fund may raise for such investors.

*Phantom Income.* There can be no assurance that a Fund will have sufficient cash flow from other sources to permit it to make annual distributions in the amount necessary to pay all tax liabilities resulting from limited partners' ownership of interests in such Fund.

## **Conflicts of Interest**

The Advisers engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and Portfolio Companies. The Advisers will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required

by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Advisers conducting their activities, the interests of a Fund may conflict with the interests of one or more Advisers, one or more other Funds, Portfolio Companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, the Advisers will determine all matters relating to structuring transactions and Fund operations using their best judgment considering all factors they deem relevant, but in their sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

The Advisers have formed a Conflicts Committee (the “**Conflicts Committee**”) that will review, as appropriate, certain conflicts that may arise related to deal allocation and other matters, all as described below.

#### *Investment Opportunities and Deal Allocation.*

From time to time, an Adviser will be presented with investment opportunities that would be suitable not only for one Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of such Adviser. In determining which investment vehicles should participate in such investment opportunities, the Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. Each Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by such Adviser’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the relevant Fund, other Funds and such investment vehicles in good faith, according to the “Investment Allocation Policy” included in the Compliance Manual. In allocating investment opportunities, Riverside takes into account various factors, including various investment objectives, any relevant contractual provisions in the Partnership Agreements and Side Letters, targeted returns, diversification requirements or considerations, if any, suitability requirements, if any, the risk profile of the investment, preferences expressed by investors in the Funds, available capital commitments, the Funds’ ability to execute on the transaction, the size of the investment opportunity, the expected duration of any particular investment, the composition of the various Fund portfolios individually and as a whole, legal, tax or regulatory issues, whether the investment represents an “add-on” investment opportunity for the Fund, and/or whether an opportunity exists to invest in different layers in the capital structure of a company. Generally, if an investment opportunity would be an add-on acquisition to a platform company owned by one of the Funds that does primarily control deals, that investment opportunity first goes to the applicable Fund as an add-on acquisition. If an investment opportunity could be an add-on acquisition for a RSCF I investment as well as a platform acquisition for a Riverside control equity Fund, each of RSCF I and the control equity Fund will have an opportunity to review the investment opportunity. If each of RSCF I and the control equity Fund determines to proceed with the potential investment, appropriate ethical walls will be put in place and the Conflicts Committee will determine how best to proceed.

An Adviser’s allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While an Adviser will allocate investment opportunities in a manner that it believes in

good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which an Adviser may be subject, discussed herein, did not exist.

Riverside seeks to allocate the investment opportunities in a fair and equitable manner. Investment opportunities may be appropriate for multiple Funds at the same, different or overlapping levels of a Portfolio Company's capital structure. Conflicts may arise in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single Portfolio Company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same Portfolio Company.

In certain scenarios, Riverside Funds may independently bid for the purchase of a Portfolio Company, which may result in Riverside submitting competing bids for such Portfolio Company. In this scenario, the Conflicts Committee will determine how best to proceed.

Where necessary, the General Partner consults with and receives consent to conflicts from the Advisory Committee of the relevant Fund and such other investment vehicles. If such consent is obtained, the relevant Fund and such other Funds may purchase different classes of debt and/or equity of the same Portfolio Company. Investments by more than one Fund in a Portfolio Company may also raise the risk of using assets of one Fund to support positions taken by other Funds. The General Partner may also consult with the Conflicts Committee in these situations.

#### *Co-investment Opportunities*

Decisions regarding whether and to whom to offer co-investment opportunities may be made by an Adviser or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other investors. If a Partnership Agreement, Memorandum and/or Side Letter address co-investment opportunities, the Adviser will first allocate such opportunities in accordance with the terms in those documents. When and to the extent that employees and related persons of the Advisers and their affiliates make capital investments in or alongside certain Funds, the Advisers and their 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.

The Principals and the Advisers' investment staff will continue to manage and monitor such investments until their realization. The General Partners believe that the significant investment of the Principals in a Fund, as well as the Principals' interest in the carried interest

with respect to such Fund, serve to align the interest of the Principals with the interest of the investors in the Fund, although the Principals have economic interests in other Funds as well and receive Management Fees and carried interest therefrom. Other investments that the Principals may control may potentially compete with companies acquired by the relevant Fund.

### *Board Service*

Where a Fund has controlling interests in Portfolio Companies, the Funds and/or their 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. In situations where a Fund does not have a controlling interest in a Portfolio Company (e.g., RSCF I), the Fund will seek to obtain a board seat in the Portfolio Company. From time to time, Portfolio Company board members approve compensation and/or other amounts payable to Riverside and/or its affiliates. Riverside and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in Portfolio Companies owned by the Funds; conversely, former personnel or executives of Riverside and/or its affiliates may serve in significant management roles at Portfolio Companies or services providers recommended by Riverside.

### *Service Providers*

Riverside, 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, lenders and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Riverside and/or its affiliates, and/or the Funds or other investment vehicles they may advise. In addition, Portfolio Companies may from time to time pay certain fees to third-party consultants (including consultants introduced or arranged by Riverside and/or its affiliates that may regularly provide services to one or more Fund Portfolio Companies), and such fees generally will not offset the Management Fee as described herein. Any of these situations subjects Riverside and/or its affiliates to potential conflicts of interest. Riverside 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 Riverside information about markets and industries in which Riverside operates (or is contemplating operations) or will provide other services that are beneficial to Riverside or the Funds. Riverside may have a conflict of interest in making such recommendations, in that Riverside 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.

Additionally, a Portfolio Company typically will reimburse the applicable Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel and travel-related expenses) incurred by such Adviser or such service providers in connection with their performance of services for such Portfolio Company. The Advisers determine the amount of these reimbursements for such services in their own discretion, subject

to its 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 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. These factors help to mitigate related conflicts of interest.

The Advisers generally exercise their discretion to recommend to a Fund or to a Portfolio Company thereof that it contract for services with (i) the applicable Adviser or a related person of such Adviser (which may include a Portfolio Company of such Fund), (ii) an entity with which such Adviser or its affiliates or current or former members of their personnel has a relationship or from which such Adviser or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, an Adviser may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or a related business. This subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with their operational strategies and will enhance Portfolio Company performance and, relatedly, returns of the relevant Fund, the Advisers may have an incentive to recommend the related or other person (including a limited partner) because of their financial or other business interest. There is a possibility that the Advisers, because of such belief or for other reasons (including whether the use of such person could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Fund(s) or an Adviser, 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 the Advisers have a relationship or receive 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.

Because certain expenses are paid for by a Fund and/or its Portfolio Companies or, if incurred by the Advisers, are reimbursed by a Fund and/or its Portfolio Companies, the Advisers may seek what it believes to be the best service providers although those may not be the lowest cost options when incurring (or causing a Fund or its Portfolio Companies to incur) such expenses.

#### *Investments by Individuals*

The Advisers, their affiliates, and equity holders, officers, principals and employees of the Advisers and their affiliates may buy or sell securities or other instruments that the Advisers have recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in the Advisers' Code of Ethics and may be subject to Advisory Committee approval. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of an Adviser have, and are expected to continue to have, capital investments in or alongside certain

Funds, or in prospective Portfolio Companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

### *Operating Partners*

As described above in “Fees and Compensation,” Operating Partners not employed by an Adviser may be compensated by the Portfolio Companies (and, to a lesser extent, the Funds). Operating Partners who are employed by an Adviser receive compensation from such Adviser which may be reimbursed by Portfolio Companies and, in limited circumstances, by a Fund. See “Fees and Compensation” for more detail.

Third party independent consultants (“**TP Consultants**”) unaffiliated with an Adviser (including consultants introduced or arranged by the Advisers and/or their affiliates that may regularly provide services to one or more Portfolio Companies) may be engaged by Portfolio Companies and/or the Funds. Any fees paid to any TP Consultant will not offset the Management Fee as described herein.

Operating Partners who are not employees of an Adviser may make use of certain Adviser resources in the course of any such Operating Partner’s service to the Portfolio Companies. These resources include, for example, use of an Adviser’s conference call system and travel assistance.

As described in “Fees and Compensation,” Operating Partners may also invest in one or more Funds managed by an Adviser through the Funds’ General Partners and/or subject to the Partnership Agreements of each of the Funds. Operating Partners may receive a profits or equity interest (*e.g.*, options) in the Portfolio Company where they provide services. In limited circumstances, if a Partnership Agreement does not specifically permit the reimbursement of Operating Partners who are employees of an Adviser, the Adviser may be reimbursed by the Fund for services performed by Operating Partners at a Portfolio Company, and such reimbursement would be treated as “Fee Income” (as defined in and in accordance with the applicable Partnership Agreement).

The Advisers believe their ability to use Operating Partners who are independent contractors and not employees of an Adviser allow Riverside to scale the operating function up or down as the portfolio changes, to find the best operating talent with the appropriate industry experience and to utilize the Operating Partners based on their ability to add value to their assigned Portfolio Companies.

The use of Operating Partners and the compensation paid to them by the Advisers, their affiliates and/or the Portfolio Companies subjects the Advisers and/or their affiliates to potential conflicts of interest. The Advisers believe that such potential conflicts may be mitigated by the potential cost savings to Portfolio Companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the services of the Operating Partner align the Advisers’ model for the Portfolio Company and improve Portfolio Company performance. Although the Advisers seek to use Operating Partners with a view to reducing costs to Portfolio Companies, as well as increasing sales and EBITDA of the Portfolio Companies, a number of factors may result

in limited or no cost savings or limited or no growth from such retention. The Advisers also seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Limited Partners, and to use only Operating Partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, 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.

### *Fees and Expenses*

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, an Adviser will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, an Adviser may be faced with a variety of potential conflicts of interest. As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by an Adviser or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

### *Deployment of Capital*

Because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for such General Partner to cause the relevant Fund to make riskier or more speculative investments than would otherwise be the case. 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 General Partners may not otherwise have done so. Since the General Partner may be permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving or exiting transactions and setting such compensation.

### *Side Letters*

The Advisers and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee and carried interest structures, information rights, co-investment rights and first-look provisions, and liquidity or transfer rights. These side letter rights are generally subject to "most favored nation" rights in most Funds (with the exception of RMCF III and certain REF V Side Letter provisions). Certain provisions that are subject to these "most favored nation" rights require an investor to have the same underlying need for such rights.

Any of the above-described situations subjects the Advisers and/or their affiliates to potential conflicts of interest. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in their Funds and the obligations owed by the Advisers' advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the applicable Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Advisers consult and receive consent to conflicts from the applicable Advisory Committee and they may also consult with the Conflicts Committee.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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

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

Riverside Partners is affiliated with other Riverside investment advisers registered with the SEC under the Advisers Act pursuant to Riverside Partners' registration in accordance with SEC guidance. These advisers are Riverside Asia, Riverside Europe, Riverside Cayman, RCAF 2000 GP, RCAF 03 GP, RCAF V GP, RCAF VI GP, RMCF I GP, RMCF II GP, RMCF III GP, RMCF IV GP, RSCF I GP, RSLF I GP, RAF I GP, RAF II GP, REF II GP, REF III GP, REF IV GP and REF V GP. These affiliated investment advisers operate as a single advisory business together with Riverside Partners and serve as general partners or management companies, as applicable, of the relevant Funds and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Riverside has entered into Side Letters with two strategic investors who have made substantial investments in RAF II (each, a “**RAF II Strategic Investor**” and together the “**RAF II Strategic Investors**”) which grant them rights not granted to other limited partners. In particular, the RAF II Strategic Investors have priority rights to co-invest in certain RAF II Portfolio Companies and will pay carried interest in respect of such co-investments. One of the RAF II Strategic Investors also owns an interest in RAF II GP, which entitles it to receive a percentage of the aggregate carried interest payable to RAF II GP, and sublets office space from Riverside's Singapore office on arm's length terms. The terms of such sublease were negotiated on an arm's length basis.

The RAF II Strategic Investors may be provided with certain information regarding the Funds' portfolios and prospective investments that are not made available to other limited partners. As a result, the RAF II Strategic Investors have certain rights to be involved in certain investment activities relating to RAF II Portfolio Companies, including, but not limited to, discussions involving potential investments, add-on investments or exits; deal sourcing; and due diligence activities. Each of the RAF II Strategic Investors may also receive board observation rights with respect to RAF II Portfolio Companies. The RAF II Strategic Investors will also be provided with access to certain Riverside business contacts and resources. The RAF II Strategic

Investors may also introduce Riverside to certain resources and people in its network, including potential investors or investment opportunities. Notwithstanding the rights outlined above, neither of the RAF II Strategic Investors have any discretion over or power to make decisions regarding RAF II's investments as Riverside retains full investment discretion for all investment and investment-related activities for its Funds.

Riverside Europe has entered into Side Letters with several strategic investors who have made a substantial investment in REF V (each, a “**REF V Strategic Investor**” and together the “**REF V Strategic Investors**”) which grant them rights not granted to other limited partners. Riverside Europe may offer the REF V Strategic Investors a priority right to co-invest in certain REF V Portfolio Companies on a no-fee and no-carry basis. In certain instances, the REF V Strategic Investors have contracted to receive board observation rights with respect to such REF V Portfolio Companies. Riverside has agreed to rebate a portion of one of the REF V Strategic Investor's REF V management fee if it has not been offered a minimum amount of co-investment opportunities in REF V Portfolio Companies, or Portfolio Companies of other Funds.

In certain limited circumstances, General Partners or employees of Riverside may serve as directors of companies that are not in the portfolio of any Fund or otherwise affiliated with Riverside or serve as an adviser to another investment adviser, but only to the extent that such opportunity has been presented to Riverside and Riverside has determined such service does not present a material conflict of interest with Riverside.

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

The Advisers have adopted the Riverside Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Riverside Principals and employees and addresses conflicts that arise from personal trading. The Code requires Riverside personnel to report their personal securities transactions and prohibits Riverside personnel from directly or indirectly acquiring or disposing of beneficial ownership of securities, with limited exceptions, without first obtaining approval from the Riverside Chief Compliance Officer. 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 investor or prospective investor upon request to Jennifer H. Boyce, the Riverside General Counsel and Chief Compliance Officer, at (216) 706- 3488. 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 non-public 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 an Adviser.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material non-public or other confidential information with respect to any public company, the

Advisers generally would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Riverside personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and current and former employees of the Advisers and their affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same Portfolio Companies as a Fund. In the case of co-invests, the Advisers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Portfolio Companies or otherwise to have priority in co-investment opportunities, and in considering whether to offer co-investment opportunities to a prospective investor, may take into consideration factors set forth in the Advisers' Investment Allocations / Co-Investment Policy.

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 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.

## **ITEM 12 – BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists for the securities of a Portfolio Company. 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 the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including:

- (i) execution capabilities with respect to the relevant type of order;
- (ii) commissions charged;
- (iii) the reputation of the firm being considered; and
- (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any

broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, 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. Under such “soft dollar” arrangements, securities transactions are executed through a broker-dealer that charges more than the lowest available commission rate in exchange for the provision of brokerage and research services, which may include: (i) furnishing advice as to the value of securities and the advisability of investing, purchasing or selling securities; (ii) furnishing analysis and reports concerning issuers, securities and performance of accounts; or (iii) effecting securities transactions and performing functions incidental to such transactions, such as clearance, settlement and custody. An Adviser may enter into “soft dollar” arrangements only where it reasonably believes that the services benefit the applicable Fund, and that the amount of commission is reasonable in relation to the value of the brokerage and research services provided.

As a matter of practice, the Advisers currently do not engage in soft dollar transactions, and although they are permitted to do so and may engage in soft dollar transactions in the future in accordance with the limitations of Section 28(e) of the Securities Exchange Act of 1934, as amended, it is not anticipated that they will do so. Although Riverside may receive proprietary research from certain brokerage firms, it does not take the value of such research into account when selecting brokers. In addition, gifts and other entertainment are monitored.

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

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

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

In the Advisers' private company securities transactions on behalf of the Funds, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its Portfolio Companies. In determining to retain such parties, the Advisers may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

### **ITEM 13 – 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 Principals closely monitor companies in which the Funds invest, and the Riverside Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each limited partner receives quarterly unaudited financial statements of the applicable Fund, a statement of their capital account balance and summary financial and other information on each Portfolio Company. On an annual basis, each limited partner generally receives audited financial statements of the applicable Fund (except in the case of TRC Derma, which does not have audited financial statements but will be subject to an annual surprise exam by its auditors), with respect to U.S. investors, information necessary for U.S. federal income tax reporting.

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

The Management Companies and/or their affiliates may provide certain business or consulting services to Portfolio Companies and may receive compensation from these Portfolio Companies in connection with such services. As described in the applicable Partnership Agreement, this compensation may, in many cases, offset all or a portion of the Management Fees paid by the Funds. Reimbursements for out-of-pocket expenses directly related to a Portfolio Company may be paid to the Management Companies in addition to Management Fees. See "Fees and Compensation."

From time to time, the Advisers and/or their affiliates may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund or other Funds. Any fees and expenses payable to any such third party consultants will generally be borne by the relevant Adviser and/or its affiliates, subject to the provisions of the applicable Partnership Agreement, 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).

In particular, Riverside Europe has entered into a placement agent agreement with Evercore Group L.L.C. (“**Evercore**”), pursuant to which it will compensate Evercore in connection with referrals that result in certain potential investors becoming a limited partner in REF V. Any fees payable to Evercore will be borne by the Advisers directly or indirectly through an offset against the Management Fee.

## **ITEM 15 – CUSTODY**

Riverside is deemed to have “custody” over the Funds’ assets for purposes of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, each Fund’s assets must be held at qualified custodians to the extent required by the Rule; these qualified custodians include prime brokers, banks and other broker-dealers. In addition, audited financial statements are delivered to each limited partner within 120 days following such Fund’s fiscal year-end, except with respect to TRC Derma, which does not have audited financial statements but will be subject to an annual surprise exam by its auditors. If a delivery error has caused a limited partner not to receive access to audited financial statements in a timely manner, such limited partner should contact Riverside’s Chief Compliance Officer. The Advisers generally maintain custody of the Funds’ assets held in the applicable Fund’s name with the following qualified custodians:

- JPMorgan Chase Bank, N.A., 500 Stanton Christiana Road, Newark, DE 19713-2107;
- BMO Harris Bank N.A., 111 West Monroe Street, 9th Floor East, Chicago, IL 60603;
- KeyBank, N.A., 127 Public Square, Cleveland, OH 44114-1306;
- Deutsche Bank Trust Company Americas, 345 Park Avenue, 24th Floor, New York, NY 10154; and
- First Republic Bank, 575 Madison Avenue, New York, NY 10022.

## **ITEM 16 – INVESTMENT DISCRETION**

Each Adviser has discretionary authority to manage investments on behalf of the Funds. As a general policy, the Advisers do not allow clients to place limitations on this authority. The Advisers assume this discretionary authority pursuant to the terms of the Partnership Agreements and powers of attorney executed by the limited partners. Pursuant to the terms of certain Partnership Agreements, however, the Advisers, its affiliates or the relevant Fund may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner’s investment in a 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. Such agreements generally are subject to a requirement that such rights or other terms be offered to all investors in the relevant Fund who have the same underlying need for such rights.

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

In accordance with SEC requirements, the Advisers have adopted the Riverside Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Funds’ portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the applicable Fund, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds’ investors through the Principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest between an Adviser and a Fund in voting proxies, the Proxy Policy provides that such Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant Advisory Committee on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, for future Funds, the relevant Advisory Committee may approve an Adviser’s vote in a particular solicitation. The Advisers do not consider service on Portfolio Company boards by Riverside personnel or the Advisers’ receipt of management or other fees from Portfolio Companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. A copy of the Advisers’ complete Proxy Policy or information regarding how the Advisers voted proxies for particular Portfolio Companies will be provided to investors or prospective investors at no charge upon request to Jennifer H. Boyce, the Riverside General Counsel and Chief Compliance Officer, at (216) 706-3488.

## **ITEM 18 – FINANCIAL INFORMATION**

The Advisers do 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.

### **SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF RIVERSIDE**

#### **Béla Szigethy**

##### *Educational Background and Business Experience*

Together with Stewart Kohl, Mr. Szigethy oversees all aspects of Riverside’s activities. He has 34 years of corporate finance experience, including 28 years as a leveraged buyout investor with Riverside. Prior to founding The Riverside Company in 1988, he was a vice president in the leveraged acquisition department of Citibank, where he worked for seven years. Mr. Szigethy holds a BA from Oberlin College and a Master’s of International Affairs in International Finance from Columbia University. Mr. Szigethy was born in 1955.

##### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Szigethy.

#### *Other Business Activities*

Mr. Szigethy is not engaged in any investment-related business outside of his roles with Riverside and its affiliated investment advisers. Mr. Szigethy serves as a Trustee on the Lake Hopatcong Foundation Board of Directors.

#### *Additional Compensation*

Mr. Szigethy does not receive any additional compensation that is required to be disclosed.

#### *Supervision*

As the founder and a co-CEO of Riverside, Mr. Szigethy is part of a team that is responsible for implementing and overseeing the investment strategy of Riverside. Mr. Szigethy is not subject to the direct supervision of any other individual. The General Counsel and Chief Compliance Officer of Riverside, Jennifer H. Boyce, supervises the actions of Mr. Szigethy with respect to the Riverside Compliance Program, which includes policies governing giving advice to clients. Ms. Boyce can be reached by calling (216) 706-3488.

### **Stewart Kohl**

#### *Educational Background and Business Experience*

Together with Mr. Béla Szigethy, Mr. Stewart Kohl oversees all aspects of Riverside's activities. He has 27 years of leveraged buyout investing experience, including 23 years with Riverside. Prior to joining Riverside in 1993, he was a vice president of Citicorp Venture Capital, the private equity arm of Citibank. Mr. Kohl holds a BA from Oberlin College. Mr. Kohl was born in 1955.

#### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Kohl.

#### *Other Business Activities*

Mr. Kohl is not engaged in any investment-related business outside of his roles with Riverside and its affiliated investment advisers. Mr. Kohl serves as an Honorary Trustee on the Oberlin College Board of Trustees, as a Trustee on the Cleveland Clinic Board of Trustees and as a Co-Chair of the Board of Trustees of the Cleveland Museum of Contemporary Art.

#### *Additional Compensation*

Mr. Kohl does not receive any additional compensation that is required to be disclosed.

#### *Supervision*

As a co-CEO of Riverside, Mr. Kohl is part of a team that is responsible for implementing and overseeing the investment strategy of Riverside. Mr. Kohl is not subject to

the direct supervision of any other individual. The General Counsel and Chief Compliance Officer of Riverside, Jennifer H. Boyce, supervises the actions of Mr. Kohl with respect to the Riverside Compliance Program, which includes policies governing giving advice to clients. Ms. Boyce can be reached by calling (216) 706-3488.