

**EDG MANAGEMENT COMPANY, LLC**

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

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**This brochure provides information about the qualifications and business practices of EDG Management Company, LLC. If you have any questions about the contents of this brochure, please contact Mike Gaffney at (703) 562-5121 [mike.gaffney@edgpartners.com](mailto:mike.gaffney@edgpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.**

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

## **Item 2           Material Changes**

As of January 2018, EDG has relocated its primary office. In addition, the Fund's Investment Period terminated on January 5, 2017 and in connection therewith, EDG has determined that for the foreseeable future, it will not be raising new investment funds. A summary of any material changes to this and subsequent brochures will be provided to you within 120 days of the close of our business' fiscal year. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

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

EDG Management Company, LLC (“EDG”, “Adviser” or “We”) was formed in 2005. Prior to 2010, EDG did not conduct any advisory business. Its advisory business commenced with the initial closing of its client, EDG Partners Fund II, LP (the “Fund”) in January 2010. Before January 2010, the EDG principals made investments through a related party, called EDG Partners, LLC, which was formed in 2004. The principal owners of EDG are J. Stephen Eaton, Alan C. Dahl, and Michael P. Gaffney. Prior to 2004, Messrs. Eaton and Dahl worked together for 13 years as an operating and investment team. Mr. Gaffney joined them in 2004.

Currently, EDG provides discretionary investment management services to the Fund. The Fund invests primarily in equity and debt securities of small and middle market healthcare industry operating companies. With the completion of the Fund’s Investment Period on January 5, 2017, EDG’s activities focus on working with the remaining portfolio companies to maximize value of the Fund and protect the Fund’s interests. EDG has affiliated entities that serve as general partner of the Fund and as the managing member of that general partner. EDG provides investment advice to the Fund (not to Fund investors). EDG tailors its management services to suit the Fund’s investment objectives, strategies and limitations (if any), as described in the Fund’s offering documents and Limited Partnership Agreement (the “LPA”). EDG may enter into side letters involving “most favored nation” status, co-investment notifications and specific periodic reporting such as fees and expenses and compliance certifications.

As of December 31, 2017, EDG had approximately \$98.23 million in Regulatory Assets under management.

#### **Item 5            Fees and Compensation**

Our fees for investment management services are determined and assessed in a manner specific to the Fund, and generally are non-negotiable. For the specific fees charged by the Fund, please refer to the offering documents and LPA for the Fund.

##### **A.        Management Fees**

The Fund pays an annual management fee of 1.5% of invested capital. This fee is deducted from limited partner capital accounts quarterly in advance. The LPA does not expressly provide for the ability to waive management fees, but it does permit side letters which may vary the terms of the LPA. EDG has granted one such side letter. It provides a management fee waiver to the IRA of an EDG principal. Management fees are borne pro rata by each limited partner in proportion to capital commitments.

##### **B.        Other Fees**

Our management fee may be reduced to the extent that any placement agent fees are paid by a Fund, including but not limited to, in connection with actual or prospective investments in the Fund.

In addition, the Management fee may be reduced to the extent that the Adviser or its affiliates receives transaction related fees, i.e. fees relating to investment transactions.

EDG will bear certain administrative expenses of each Fund. To the extent not paid by the underlying portfolio companies in which the Fund invests, the Fund will pay all expenses incurred in connection with its operations other than those specifically allocated to EDG. Expenses paid by the Fund, include without limitation, costs for audits; LP Meetings; Directors & Officers Insurance; expenses related to unconsummated investments; expenses in connection with Fund bookkeeping and clerical services; financial statement, audit, tax returns preparation and reporting; related investment carrying and management expenses; expenses for distributions and other such costs on behalf of the fund. Any compensation and expenses paid by a portfolio company to any officers and employees of EDG or consultants to EDG for service as an officer or employee of the portfolio company will be borne by said portfolio company and not subject to any offset. In instances where consultants to EDG act in an executive leadership capacity for a portfolio company at the request of EDG, that company may establish cash and/or equity incentive compensation directly with the consultant. The Fund generally will reimburse its general partner or EDG for organizational, start-up and legal expenses.

In general, the Fund does not engage in any brokerage transactions.

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

EDG Investment Partner, LLC, an indirect affiliate of the Adviser (the “Investment Limited Partner”), receives a performance fee payable by the Fund in the form of a carried interest. The carried interest is deducted from cash otherwise distributable to the Fund’s limited partners. The carried interest payable to the Investment Limited Partner will not exceed 20% of the amount of profits otherwise distributable to limited partners in the Fund (the amount of carried interest payable by certain large investors will not exceed 15% of such distributed amounts). The Fund has a distribution waterfall which determines how distributions will be made to the investors and to the Investment Limited Partner. Investors receive a preferential return on their investments plus return of capital before the distribution of any carried interest occurs. The Fund’s preferential return amount is 8% per annum on contributed capital.

The Investment Limited Partner is subject to clawback provisions and is obligated to return to the Fund any carried interest compensation that exceeds 20% of the profits (subject to the return of invested capital and preferred return thereon) over the course of the life of the Fund. The Adviser’s and the Investment Limited Partner’s participation in the Fund’s profits could create an incentive for the Adviser to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such performance compensation. All investments, however, will be made subject to the investment objectives and strategies set forth in the Fund’s offering documents. In addition, the performance-based fees, if made, could result in allocations to the Adviser’s affiliates that are greater than fees normally paid to other investment managers for similar services.

Before starting the Fund, the Firm’s principals invested through several entities which they controlled. The Adviser’s principals invested in operating companies both through those entities, affiliates and directly. EDG Investors, LLC has residual interests from one prior

investment in the healthcare sector, and no other investments. EDG-SPS Investors, LLC is an interim holding company formed as a special purpose vehicle for one of those investments. None of these other entities has an interest in the Fund (or vice versa), and none is the recipient of any of EDG's advisory services. The Fund does not have any ownership or other interest in such operating companies and would be permitted to make such an investment only with the consent of the Fund's Limited Partner Advisory Committee.

## **Item 7           Types of Clients**

EDG provides discretionary investment advisory services solely to the Fund as described in this brochure, and on EDG's ADV Part 1A.

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

### **A.       Investment Analysis**

EDG targets investment opportunities in the healthcare industry. The Fund invested in opportunities across the spectrum of the healthcare industry including manufacturers, distributors, clinical services, outsourced services, technology providers and select insurance related businesses. We focus on small and middle-market healthcare sector companies, seeking those companies that have strong growth potential.

We identified potential investment opportunities for the Fund through a variety of sources. We base our investment analysis upon information obtained from working with healthcare industry professionals, as well as relying upon the long-term experience of our portfolio managers in healthcare industry investment management.

### **B.       Investment Strategy**

EDG invests primarily in two types of companies: (i) companies with attractive business models that EDG believes are well positioned within an industry segment with strong growth prospects; and (ii) companies with performance that has not met expectations and in which EDG's investment and management can help improve the company's financial health, operations and market penetration. Once an investment transaction occurs, EDG (or EDG personnel, including advisors and consultants) reorganize management, take positions on the Board of the company, and/or obtain a control position by ownership. EDG works with company management to develop a 180 day plan of key actions to be executed by and for each company to accelerate growth and increase company efficiency during which time EDG and its advisors and consultants, maintain an active oversight role. Any compensation and expenses paid by a portfolio company to any officers and employees of EDG or consultants or advisors to EDG for service as an officer or employee of the portfolio company will be borne by said portfolio company and not subject to any management fee offset. EDG discloses to its limited partners, at least annually, a detailed summary of all fees received by EDG and affiliates, advisors and consultants as engaged by or for EDG from a portfolio company.

The Fund holds investments on average for a 4 to 6 year period. Typically when a company reaches its targeted earnings return, the Fund will exit the investment generally through a sale, and infrequently an IPO.

### C. Risk of Loss

Investment in the Fund involves a significant risk of loss that investors should be prepared to bear. A Fund investor should not invest in the Fund unless the investor is able to withstand a total loss of the investment. Even if the investments of the Fund are successful, they may not produce a realized return to Fund investors for a period of years. There is no assurance that the Fund will achieve its investment objective. The following are risks associated with the Fund's significant investment strategies:

#### **Investment in the Healthcare Industry**

The Fund is invested primarily in securities of firms in the healthcare industry. There is a risk that by concentrating its investments in a single industry, the Fund will underperform or be more volatile than more diversified investment vehicles because of economic, regulatory, financial or market conditions, or other negative external forces affecting the insurance and healthcare industry. Healthcare businesses are highly dependent on their management and staff. The Fund's results will depend, to a significant extent, upon the continued employment and engagement of portfolio company employees and management teams. These businesses depend upon the abilities of salespersons and support staff to acquire new accounts, expand revenues, and maintain the enterprise's viability, and management's ability to guide the growth and activities of the firms. These employees and management teams have access to and, in some cases, control over books of business, client records, and other information critical to the firm. There can be no assurance that such employees will not terminate their employment to the detriment of a portfolio company and hence to the Fund.

#### **Regulated Industry**

The health care industry is highly regulated at both federal and state levels, and there can be no assurances that the regulatory environment in which the Fund and its portfolio companies will operate will not change significantly in the future. The ability of a portfolio company to operate profitably will depend in part on the ability of such portfolio company to obtain and maintain all necessary licenses, certificates and other approvals, and operate in compliance with applicable health care laws and regulations. There can be no assurances that a given portfolio company will be able to modify its operations in order to address changes in the regulatory environment. Failure to comply with a changing regulatory environment or failing to maintain the proper licenses and certifications may subject a portfolio company to sanctions or require it to alter or discontinue certain of their practices, any of which could result in financial penalties and/or a significant loss of reimbursement to the portfolio company, which in turn could adversely impact the Fund.

As an example, the construction, ownership, operation and use of a diagnostic imaging center is subject to federal and state laws and regulations and approvals concerning licensing of facilities, equipment and personnel, accreditation and certification requirements, sales and marketing approaches, ownership structures, and federal and state laws and regulations governing the privacy and security of patient information. No assurances can be given that a portfolio company will not be challenged or found to be non-compliant with applicable laws and regulations. Failure to comply with state and federal laws and regulations may subject the Fund,

the Partners or one or more portfolio companies to sanctions or require them to alter or discontinue certain of their practices, any of which could result in financial penalties and/or a significant loss of reimbursement to a portfolio company and, in turn, adversely impact the Fund.

### **Limitations of Reimbursement**

Substantially all of a portfolio company's revenues may be derived from third-party payors, such as governmental programs, private insurance plans, managed care organizations, and self-paying patients, which make payments at rates other than on the provider's direct charge to the patient or at rates that are determined other than on the basis of the actual costs incurred in providing services to such patients. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover actual costs incurred.

In addition, the financial performance of the Fund could be adversely affected by the insolvency of, or by the delay in receipt of payments by the portfolio company from, third-party payors.

### **Use of Leverage**

Our portfolio companies may incur leverage to fund their operations or to complete the transaction in which we invest in them. Investments in leveraged companies involve a high degree of risk. As a result, recessions, operating problems and other general business economic risks may have a more pronounced effect on the profitability or survival of such companies. Also, increased interest rates generally increase portfolio company interest expenses. In the event that any such portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company.

At times consistent with Amendment No. 5 to Second Amended and Restated Limited Partnership Agreement, we may employ debt not to exceed 75% of remaining capital call commitments for use in managing the Fund's cash flows.

### **Restricted Nature of Investment Positions**

It is anticipated that all or a substantial portion of the Fund's investments will consist of securities that are subject to restrictions on sale by the Fund, because they were acquired from the issuer in "private placement" transactions. In addition, they are expected to be subject to contractual restrictions and conditions on transfer. Generally, we will not be able to sell such portfolio securities publicly without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "Securities Act"). In some cases, the best exit for the Fund's investment may be an initial public offering of the portfolio company's stock but market volatility may have a severely adverse impact on the ability of the portfolio company to complete a public offering. If the portfolio company becomes a public issuer, the Fund may be prohibited by contract or applicable securities laws from selling certain securities for a period of time so that the Fund is unable to take advantage of favorable market prices. In addition, the Fund may be able to sell the securities therein only under Rule 144 or other rules under the Securities Act which permit only limited sales under specified conditions.

If restricted securities are sold to the public, the Fund may be deemed an “underwriter,” or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under that Act. In addition, practical limitations may inhibit our ability to liquidate certain portfolio securities if the issuer thereof is privately held and the Fund owns a relatively large percentage of the issuer’s equity securities. Sales may also be limited by market conditions, which may be unfavorable for the sale of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of the Fund’s investments could prevent a successful sale thereof, result in the delay of any sale, or reduce the amount of proceeds that might be realized from such sale.

### **Distributions in Kind**

Certain investments may be distributed in kind to the Partners subject to restrictions under applicable securities laws or contracts. There can be no assurance that the value ascribed to a security in a distribution in kind will ultimately be realized by the recipient Partner.

### **Projections**

In making its investment decisions, the Fund will rely upon projections, forecasts or estimates with respect to the investment candidate. Projections, forecasts and estimates are forward looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond our control, and may differ significantly from those assumed. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than estimated. Projected operating results of a portfolio company normally will be based primarily on financial projections prepared by each portfolio company’s management and subject to numerous factors outside the control of the Fund. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

### **Need for Follow-On Investments**

Following an initial investment in a portfolio company, there is no assurance that we will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by us not to make follow-on investments or our inability to make them may have a substantial negative impact on a portfolio company in need of such an investment. It may also result in either a lost opportunity for the Fund to increase its participation in a successful portfolio company, dilute the Fund’s interest in a portfolio company, or penalties such as (i) the automatic conversion of the preferred stock of a portfolio company held by the Fund into common stock and (ii) the loss of preemptive or other rights the Fund may hold with respect to a portfolio company.

### **Foreign Investments**

The Fund may hold a limited number of investments in portfolio companies that have primary operations outside of the United States, its territories and possessions. Certain risks not typically associated with investments in the securities of U.S. companies are inherent in international operations including, among others, the risk of war, armed conflict, terrorist attacks,

civil unrest, political instability, expropriation, restrictions on repatriation of profits, currency fluctuations and devaluations, adverse tax consequences, and differences between U.S. and foreign securities markets, such as the absence of uniform accounting, auditing, and financial reporting standards in foreign markets.

### **Possible Adverse Consequences of Control Positions**

The Fund may take control positions in its portfolio companies. Depending upon the amount of equity owned by the Fund in a portfolio company, contractual arrangements between a portfolio company and the Fund, and other relevant factual circumstances, such control could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made by the portfolio company to the Fund. In addition, because of its equity ownership, representation on a portfolio company's board of directors or other similar governing body and/or contractual rights, the Fund could be exposed to control person liability for environmental damage, product defects, failure to supervise management and employees, violations of laws and other potential liabilities. If the Fund experiences control person liability, it could expose the Fund's assets to claims by its portfolio company, its portfolio companies' other security holders and creditors and by governmental agencies which, if adversely determined against the Fund, could materially and adversely affect the Fund's performance.

### **Possible Lack of Control by the Fund**

The Fund may have minority equity investment positions in certain target companies. When investments are made by the Fund on a minority basis, the ability of the Fund to control future liquidity events is significantly limited.

### **General Economic Conditions**

The business of the Fund and the portfolio companies may be adversely affected from time to time by such matters as: (i) changes in general economic, industrial, political, and international conditions; (ii) acts of war, terrorism, or international boycott; (iii) tax increases and prices of fuel and materials and components; and (iv) other factors of a general nature that are beyond the control of the Fund or the portfolio companies. In addition, the Fund and portfolio companies may be materially and adversely affected by the unavailability of credit due to turmoil in the credit markets. Moreover, we will likely maintain cash and investment balances at various depository institutions in amounts that are in excess of the FDIC insurance limits. If one or more of such depository institutions were to fail, our ability to access our funds might be temporarily or permanently limited, and we could face material liquidity problems and potential material financial losses.

### **Lack of Liquidity; Lack of Current Distributions; General Partner Recycling Rights**

The expenses of operating the Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment.

While an investment may be sold at any time, it is anticipated that there will be a significant period, typically 4 to 6 years, before the Fund will be able to realize its investment in a portfolio company.

In addition, when proceeds were realized before the end of the Investment Period from an investment held eighteen months or less, the General Partner was entitled to reinvest such proceeds until 100% of commitments have been invested in portfolio securities. Similarly, distributions made during the Investment Period restored Capital Commitments associated with capital called during the Investment Period to pay Management Fees or Partnership Expenses, with such Capital Commitments available for investment subject to the 100% limitation. No assurance can be made that such reinvested proceeds will be made in successful investments. Any losses on any investments made with reinvested proceeds would reduce the return to the Limited Partners.

In light of the foregoing, it is likely that no significant return from the disposition of the Fund's investment will occur for a significant period of time following the investment. As such, investment in the Fund should be viewed as illiquid.

### **Other Risks**

Other risks related to investment in a Fund are detailed in each Fund's offering documents.

### **Item 9      Disciplinary Information**

None of EDG nor any of its principals or employees has been involved in any legal or disciplinary events to be reported under this Item 9.

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

In addition to its management of the Fund described above, EDG is related to the following entities:

**EDG Holdings, LLC** is wholly-owned by the principals of the Adviser, and serves as managing member of both EDG Holdings II, LLC and the Investment Limited Partner.

**EDG Holdings II, LLC** is wholly-owned by EDG Holdings, LLC and serves as the general partner of the Fund.

**EDG Investment Partner, LLC** is a special limited partner in the Fund and is an affiliate of the general partner of the Fund. The principals of the Adviser and their affiliates hold their limited partnership interests in the Fund either collectively through EDG Investment Partner, LLC or directly as a limited partner. EDG Investment Partner, LLC receives the carried interest distributions from the Fund. Conflicts of interest that may arise from this arrangement are discussed under Item 6 – Performance Fees and Side by Side Management above.

**EDG Investors, LLC** is wholly-owned by the principals of the Adviser, and is an entity through which the principals hold certain residual interests from investments made prior to the formation of the Fund.

**EDG Partners, LLC**, wholly-owned by principals of the Adviser, wrapped up its last investment in 2014, an investment made prior to the formation of the Fund, and has limited activity.

**EDG-SPS Investors, LLC** is an interim holding company formed as a special purpose vehicle for EDG Investors, LLC.

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

### **A.      Code of Ethics**

EDG has adopted a written Code of Ethics (“Code”) designed to address and avoid potential conflicts of interest, as required by Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”). In addition, we have adopted a Code that emphasizes the responsibility of each of our employees to conduct themselves with high ethical standards and to conduct their business with integrity, honesty, openness and trust. Our employees are to place the interest of the Fund first and foremost. Compliance with the Code is a condition of employment, and serious violation with the Code or related policies may result in dismissal.

Our Code of Ethics contains policies and procedures that address, among other things, pre-clearance of certain personal securities transactions; periodic reporting of employees’ personal securities transactions and holdings; and prompt internal reporting of any violations of this Code of Ethics.

We will provide a copy of our Code of Ethics to Fund investors or prospective investors upon request.

### **B.      Co-Investment Opportunities**

Many of the Fund’s limited partners have expressed interest in participating in opportunities to co-invest with the Fund when such opportunities may become available. We are not obligated to offer co-investment opportunities to any investors but expect that, when co-investment opportunities arise, e.g., if an investment requires additional capital that the Fund is unable to provide, or which it is not in the best interests of the Fund to provide, limited partners in the Fund, and, potentially, employees or related persons of EDG, may be offered rights to participate in those co-investment opportunities. If EDG establishes a vehicle for a co-investment opportunity, the Fund may be entitled to receive a portion of any carried interest on the co-invested monies.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among potential co-investors, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following, size of the investment opportunity, capital availability, size of the investment opportunity, geographical

location of investment opportunity, sector opportunity, known co-investor investment limitations, speed of execution necessary for the co-investment and any other co-investor needs and limitations with a baseline desire for pro rata allocation to LPs if possible. We have not provided specific co-investment rights to our investors but have side letter arrangements to consider the investor when opportunities arise.

Because we determine when co-investment opportunities are to be offered, there is a potential for a conflict of interest. To engender an objective review of situations in which there is an inherent conflict of interest, including those raised by co-investment arrangements, the Fund has a limited partner committee (the “Limited Partner Advisory Committee” or “LPAC”). Currently there are 7 seats for representatives of the Fund’s limited partners that are not affiliated with EDG. All co-investments where our affiliates, employees or related persons are involved as investors, must be disclosed to the LPAC; certain such co-investments are subject to LPAC approval. Investors who participate in co-investment opportunities may have a different return from their EDG-related investments than those who do not participate.

C. Parallel Funds and Alternative Investment Vehicles

The Fund has not used alternative investment vehicles and there are no parallel funds.

D. Personal Investments

EDG, its principals and certain executive advisors and portfolio company executives have made personal investments in the Fund alongside the investors. As discussed above, EDG receives fees and the Investment Limited Partner receives incentive distributions from the Fund. Post Investment Period, Employees of EDG may make personal investments in healthcare industry securities, subject to the restrictions of EDG’s Code of Ethics, as described above, and subject, generally, to LPAC review.

**Item 12      Brokerage Practices**

A. Placement Agents

EDG may engage placement agents from time to time. However, such placement agents do not effect transactions in publicly traded securities on behalf of the Fund. The Fund generally invests only in private securities, though it is permitted to invest in public securities of one issuer. If a portfolio company were to go public, the Fund could own public securities. Accordingly, there are generally no brokerage transactions in which the Fund engages.

B. Allocation of Investment Opportunities

Our internal policies require that any allocation of investment opportunities will be performed on a basis that we believe is fair and equitable and that we use all commercially reasonable efforts to ensure that no participating entity or account receives preferential treatment over any other.

When presented with an investment opportunity, we assess the suitability of the investment for the Fund. This assessment takes into account, among other things, the Fund's or account's investment objectives and strategies, risk profile, tax status, diversification requirements, liquidity needs and available assets for investment. We also assess current market conditions and any other information relevant to the fair allocation of securities among the multiple potential investors.

C. Trade Aggregation

The Fund generally does not invest in any publicly traded securities. If a Fund transacts in a publicly traded security, due to the nature and structure of each Fund, it generally would not be practicable to aggregate transactions.

**Item 13      Review of Accounts**

A. Review of Fund Portfolios

The only account managed by EDG is the Fund. Our principals review the Fund's portfolio on a regular basis.

B. Fund Reporting

The Fund's Limited partners will receive an audited annual financial report within 120 days after the conclusion of each fiscal year, and an unaudited financial report within 45 days after the conclusion of each of the first three quarters of the Fund's fiscal year, or as soon as practicable thereafter. EDG will use reasonable efforts to deliver annual tax information for a limited partner's tax return within 90 days after the end of each fiscal year. EDG also conducts an annual information meeting for limited partners.

**Item 14      Client Referrals and Other Compensation**

A. Investor Referrals

In connection with the formation of the Fund, EDG engaged Touchstone Group, LLC, to provide placement services. The fees and expenses of any third-party placement are the responsibility of EDG. They may be paid by the Fund, but any amount paid by the Fund will be offset against the next due management fees owed to EDG.

**Item 15      Custody**

Under Advisers Act rules, EDG is deemed to have custody of Fund assets. We have engaged Merrill Lynch, Pierce, Fenner & Smith, Inc., and Square 1 Bank a Division of Pacific Western Bank to be our custodians.

The Fund is subject to an annual audit, and the audited financial statements are distributed to the Fund's limited partners in accordance with the custody rules. Such financial statements are prepared in accordance with generally accepted accounting principles (GAAP) by

an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Board.

Upon liquidation, the Fund will distribute its audited financial statements prepared in accordance with GAAP to all limited partners promptly after the completion of such audit.

#### **Item 16      Investment Discretion**

EDG has investment discretion over the Fund's assets in accordance with its offering documents and limited partnership agreement. The Fund's general partner, an affiliate of EDG, has the authority to delegate investment discretion to EDG pursuant to the Fund's limited partnership agreement. The offering documents and limited partnership agreement generally set forth the limitations with respect to the management of the Fund and the activities of EDG.

#### **Item 17      Voting Client Securities**

In accordance with our fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, we have adopted and implemented written policies and procedures governing the voting of client securities.

The Fund is primarily invested in privately-held portfolio company investments which typically do not issue proxies. However, upon occasion, we will receive proxies in connection with publicly traded portfolio companies, in which case it is our policy to exercise the proxy vote in the best interest of the Fund, taking into consideration all relevant factors, including without limitation, acting in a manner that we believe will (i) maximize the economic benefits to the Fund and (ii) promote sound corporate governance by the issuer. On rare occasions, we may be required to exercise a vote for a privately-held portfolio company, in which case the same procedures shall apply.

We seek to avoid material conflicts of interest between our own interests on the one hand, and the interests of the Fund on the other. However, as is typical with private equity investing, we generally seek and accept the election of an EDG representative to serve on the board of directors on behalf of the Fund and will typically, but not always, vote in favor of board recommendations. In situations where we are required to vote the proxy for a company in which our employees serve on the board of directors, we have determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Fund's investment in such portfolio company. Accordingly, while we are generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, we will review all proxies in accordance with our proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of the Fund. In situations where we perceive a material conflict of interest, the circumstances surrounding such potential conflict will be reviewed with our Chief Compliance Officer, who will be responsible for

recommending the appropriate action, which may include removing certain of our employees from the proxy voting process.

All proxies that we receive will be treated in accordance with these policies and procedures. A copy of our written proxy voting policies and procedures, as well as a record of how we have voted in the past, will be maintained and available for review upon written request made to EDG at 5445 Triangle Parkway, Norcross, Georgia 30092.

**Item 18          Financial Information**

We are not subject to any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to the Fund. We have never been the subject of any bankruptcy petition.

**Item 19          Requirements for State Registered Adviser**

Not applicable.