

**Investment Adviser Brochure  
Form ADV Part 2A**

**Eight Bar Partners, LP**

**335 Wahackme Road  
New Canaan, CT 06840  
203-716-6850**

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**This brochure provides information about the qualifications and business practices of Eight Bar Partners, LP. If you have any questions about the contents of this brochure, please contact us at 203-716-6850. 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.**

**Registration as an investment adviser does not imply a certain level of skill or training.**

**Additional information about Eight Bar Partners LP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2. MATERIAL CHANGES**

There have been no material changes from Eight Bar Partners LP's brochure since our last annual update to our brochure dated March 2017.

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#### **ITEM 4. ADVISORY BUSINESS**

Eight Bar Partners LP (“EBP,” “the Firm,” “us,” “we,” and “our”) was formed by Thomas E. Doster IV in 2015. Mr. Doster is the principal owner of EBP, through his ownership of Eight Bar Partners HC, Inc., of which he is the sole owner.

Mr. Doster has 26 years of experience in financial services between his tenure at EBP, Goldman Sachs, and Morgan Stanley. Prior to founding EBP, Mr. Doster was the global head of Morgan Stanley Principal Investments, the on-balance sheet proprietary investing arm of Morgan Stanley, and the head of the Global Workout Group, where he led the restructuring of numerous distressed primary loans held on Morgan Stanley’s balance sheet. Prior to leading the principal investment unit, Mr. Doster spent time in several different capacities within Morgan Stanley’s Fixed Income Division, including heading Morgan Stanley’s special situations and distressed debt analytics efforts.

EBP provides discretionary investment advice solely to private investment funds that seek to generate significant capital appreciation primarily through distressed debt investments and equity investments in private companies, including Eight Bar Financial Partners I, LP, which purchased its initial portfolio of assets on December 30, 2015.

In the future, we plan to invest primarily in distressed and special situation opportunities as well as in equity investments in established mid-market companies. We expect our investments to span across a wide range of industries, in the United States and abroad, which will be in the form of both control and non-control positions.

The investment management services that we will provide to our funds primarily consist of investigating, structuring and negotiating investments and dispositions, monitoring the performance of investments and performing certain administrative services. These services will be provided pursuant to investment management agreements with the funds and/or the limited partnership agreements of the funds, and as a result of a delegation of authority by the general partner of each fund (via an affiliate). We provide tailored advice to each fund that takes into account its investment objectives and the investment restrictions contained in its limited partnership agreement.

##### ***Wrap Fee Programs***

We do not participate in wrap fee programs.

### ***Assets Under Management***

At the date hereof, EBP has \$123,959,908 assets under management in our first fund “Eight Bar Financial Partners I.” In the future, we may manage additional private funds on a discretionary basis and may manage other assets on a discretionary or non-discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

### ***Management Fees***

EBP offers advisory services for fixed fees that are set in and governed by the Agreements (as defined below), and which are anticipated to be approximately 1% of Eight Bar Financial Partners I’s total assets at the time of purchase, as well as for fees based on performance as described in Item 6. The fees will be governed by the Agreements (as defined below) and are not negotiable. The management fees that our clients will pay us are provided for in their limited partnership agreements, subscription agreements, assignment and assumption agreements and/or the investment management agreements (“Agreements”) that the funds execute with us. The management fee is typically paid quarterly in advance. The specific management fees payable by a fund are negotiated at the time the fund is formed and fees for future funds may be higher or lower than those paid in conjunction with Eight Bar Financial Partners I. We will deduct management fees from the account of each fund.

To the extent provided in the Agreements, EBP will pay out of its management fees certain operating expenses, including, but not limited to, salaries and expenses of its employees, expenses for bookkeeping and administrative services, office space, and equipment and supplies.

### ***Other Fees and Expenses***

In the future, we may also receive monitoring, directors, consulting and other transaction fees in connection with the activities of our funds (“Other Fees”). In addition, we may be paid additional advisory fees and be reimbursed by our funds’ portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees. Both monitoring fees and additional advisory fees will be agreed to with the applicable portfolio companies at the closing of the funds’ investments in such portfolio companies. In general, the aggregate management fee that a fund pays us would be reduced by all or a portion of any Other Fees received by us in connection with the activities of the fund. We do not anticipate that we will receive Other Fees or additional advisory fees and reimbursements from Eight Bar Financial Partners I, but may receive them from future funds.

Additional fees and expenses for which a fund may be responsible are described in the limited partnership agreement of such fund. Generally, each fund pays all costs and expenses related to its operations, including but not limited to organization expenses, all unreimbursed expenses incurred in connection with identification, investigation and structuring of any proposed or actual investments (including, without limitation, costs of services provided by persons who are not employees of the general partner or manager and reasonable compensation for services provided by attorneys, accountants and tax professionals); extraordinary expenses such as litigation; all

expenses for indemnity, contribution or other claims or liabilities payable by such fund; expenses related to unconsummated transactions; expenses of dissolution and liquidation of such fund; and any taxes, fees or other governmental charges levied against such fund and any expenses incurred in connection with any tax audit, investigation, settlement or review of such fund.

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

The general partner of each fund (in each case this will be an affiliate) is generally entitled to a performance fee (“carried interest”) in accordance with the provisions of the fund’s limited partnership agreement. The performance fee for Eight Bar Financial Partners I, detailed in the limited partnership agreement, provides a distribution waterfall in which the net proceeds (profits) realized by the fund are first allocated to the limited partners until they have received a threshold annualized return and a return of capital and then are split between the general partner and limited partners as set forth in the limited partnership agreement. The maximum amount of carried interest payable to the general partner is 20%, only after reaching various return hurdles detailed in the limited partnership agreement. The compensation structure is disclosed to and approved by the limited partners at the time of their initial investments. The “carried interest” may be higher or lower than that indicated above for future funds.

The general partner (or EBP in its capacity as the investment adviser), on behalf of a fund or other investment vehicle, may enter into side letters or other similar agreements with an investor that would have the effect of establishing rights under, or altering or supplementing the terms of, an investment vehicle's governing documents in a manner more favorable to that investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement are not subject to approval by the other investors and may include (i) different notice periods, minimum investment amounts or management fees (including performance-based fees), (ii) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution of obligations of other investors with respect to, such investments), (iii) the agreement of the general partner to extend certain information rights or additional diligence, valuation or reporting rights to such investor, including, for example, to accommodate special regulatory or other circumstances of such investor, (iv) additional obligations and restrictions on the general partner and/or EBP and the investment vehicle with respect to the structuring of investments in light of the legal, tax and regulatory considerations of such investor, (v) different levels of preferred return and/or different claw back arrangements or (vi) other rights or terms in light of particular legal, regulatory, public policy or other characteristics of such investor. Investors who have side letters or similar arrangements may make independent investment decisions based on the information obtained pursuant to those arrangements. The terms of any such side letter or agreement will not be disclosed to other investors unless the general partner, in its sole discretion, determines or has agreed otherwise. Any rights or terms so established in a side letter or other similar agreement with an investor will govern solely with respect to such investor.

#### **ITEM 7. TYPES OF CLIENTS**

EBP will manage the fund assets directly, subject to the direction and control of the general partner, manager, and/or the fund's advisory board, if applicable, as detailed in the limited partnership agreement. We currently plan to provide discretionary investment advice solely to private investment funds.

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

### ***Investment Strategies and Methods of Analysis***

Depending on the circumstance, EBP plans to invest in majority or minority positions, equity and/or debt, preferred and/or common equity in any given portfolio company, and the portfolio company may be leveraged or unleveraged, distressed or non-distressed.

The key elements of EBP's investment program can be broadly categorized as follows:

- *Value Based Investing.* EBP seeks to maximize risk adjusted returns by utilizing a deep value investing approach. Each investment will be thoroughly analyzed with a bottom-up analytical approach focusing on the company's operational metrics and industry dynamics.
- *Capital Structure Agnostic.* EBP has broad experience understanding the various dynamics and incentives with respect to each part of the capital structure. EBP has the ability to transition between strategies, such as private equity, distressed, and credit, throughout economic cycles. EBP has the capability to execute on protected minority investments as well as control investments.
- *Industry Diversification.* EBP has extensive expertise in select industries coupled with board experience and active participation in company management. EBP is positioned to invest in companies that combine lower middle-market characteristics with growth potential. We plan to invest in the energy, healthcare, and consumer-facing sectors, with an expected 3-5 year hold period. This diversification should reduce aggregate portfolio risk without compromising the potential for positive returns.
- *Focus on Returning Capital.* EBP will seek to focus on returning capital to investors and opportunistically exiting investments to protect built-up gains.

### ***Investment Life Cycle***

#### ***Transaction Sourcing***

EBP has developed extensive network of investor and company relationships, which will be utilized for deal sourcing. Eight Bar Financial Partners I's portfolio acquisition from Morgan Stanley will serve as a base for that fund's business and is representative of the types of situations EBP will seek in the future. We will utilize our existing relationships with consultants, investment bank trading desks, law firms, and other investment advisors to locate the appropriate risk-adjusted return opportunities for our strategy.

### *Investment Review*

EBP will employ a rigorous review of each potential investment. The process will be guided by the access and availability of information for each investment and will involve a detailed review of the current and future industry dynamics. EBP will perform bottoms-up financial modeling and analysis in order to obtain an in-depth understanding of the key business drivers. In its implementation of its investment strategy and its management of assets, EBP will conduct multi-faceted, extensive due diligence, including, but not limited to, diligence on the following areas: business, financial, costs, assets, accounting, management team, compensation, intellectual property, legal, regulatory, tax, environmental, market and competitive landscape and exit strategies. Once diligence has been completed, and EBP is prepared to make an investment recommendation, our analysis will be compiled into an investment memorandum, which will be presented to our investment committee. The investment committee will guide the decision making process on new as well as exiting investments.

### *Post-Investment Oversight*

Each investment will be reviewed upon the receipt of new operational, market, and/or financial information, which is typically provided on a monthly or quarterly basis. Our investment memorandums will typically be updated subsequent to the receipt of such information, or in the case of a material event, which will then be presented to the investment committee for review at least quarterly. We may have varying levels of information and management access, depending on the rights provided for in the existing shareholder or credit agreements.

### *Exit Strategies*

The target hold period for our investments is in the approximate range of 3-5 years. We may hold an investment longer, or shorter, than the aforementioned time depending on value potential. EBP and the investment committee will take into consideration market conditions, competitive dynamics, and economic outlooks in determining the correct time to exit an investment. These factors could dramatically shorten or extend the anticipated hold period on an individual investment. EBP will seek to focus on returning capital to investors and opportunistically exiting investments to protect built-up gains.

### *Risk Factors*

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that EBP will be able to choose, or that a fund will be able to make and/or realize, any particular investment or that the funds will be able to generate returns for their limited partners. In addition, there can be no assurance that any limited partner will receive any distribution from a fund. Investing in securities involves a risk of loss that our clients (i.e., the funds) should be prepared to bear. Investing in the funds - an indirect investment in the securities of their portfolio companies - involves a risk of loss that limited partners should be prepared to bear. Limited partners in the funds should carefully consider, among other factors, the following risks involved with EBP's investment strategies.



The funds' investment portfolios may consist primarily of securities issued by privately-held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of technology, management, operational, liquidity, reimbursement, regulatory, liquidity, compliance, business and financial risk, which can result in substantial losses.

#### *Nature of Investments*

The funds' investments will generally involve a significant degree of financial and/or business risk. EBP will be primarily focused on making middle-market private equity investments, which may be highly levered, or investing in securities or loans of companies which are in financial distress, which may imply significant financial or business difficulties. Although such investments may result in significant returns to a fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed asset is unusually high. Both private equity and distressed investments may be volatile and can experience significant cash flow, leverage, and competitive issues to a greater degree than would larger or less leveraged entities. The value of the EBP's investments could be significantly reduced or eliminated because of the aforementioned factors.

#### *Business & Market Risk*

Portfolio companies may face intense competition, changing business or economic conditions or other developments that may adversely affect their performance. Business risks may be more significant in smaller companies or those that are embarking on a build-up or operating turnaround strategy. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of a fund's investment in such portfolio company could be significantly reduced or even eliminated.

#### *Lack of Control*

EBP may manage minority investments. As is the case with minority holdings in general, such minority investments that a Fund may hold will have neither the control characteristics of majority investments nor the valuation premiums accorded majority or controlling stakes. The lack of control may hinder our ability to force an exit and / or influence the ongoing operations of these companies, which may result in significantly reduced investment performance.

#### *Management Team*

The success of the funds will depend in large part upon the skill and expertise of the officers and employees of EBP. EBP will initially only have two employees. The loss of one or both employees could result in significant losses for the fund. Limited partners will have no right or power to participate in the management or control of the business of the funds and thus must depend solely upon the ability of EBP with respect thereto and with respect to the making and disposition of the funds' investments.

#### *Servicing Agreement*

We may rely on the service of 3<sup>rd</sup> parties for some administrative, compliance, and recordkeeping tasks for the funds and the management company. There is no guarantee that 3<sup>rd</sup> party service providers will continue to provide the aforementioned services for an extended period of time. Termination of services may be a risk to investors given such burdens may divert EBP's time, attention and resources from portfolio management activities.

### *Concentration of Investments*

It is possible that the funds may make a limited number of investments. If our managed funds have or make only a limited number of investments, the aggregate returns realized by the limited partners could be adversely affected in a material manner by the unfavorable performance of even one such investment.

### *Long-Term Investments*

The funds' investments will typically not be liquidated for a number of years after the initial investment. While it is the intention to achieve targeted returns over a three- to five-year time horizon, other factors such as overall economic conditions, the competitive environment and the availability of potential acquirers may shorten or lengthen a fund's holding period.

### *Illiquidity of Investments*

The funds' investments will generally be highly illiquid and difficult to value in a precise manner and may be subject to restrictions on resale. As such, there may be no readily available markets for the securities held by the funds. Furthermore, the types of investments made may require a substantial length of time to liquidate. As a result, there is a significant risk that the funds may be unable to realize their investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy.

### *Restrictions on Transfer or Withdrawal*

Limited partners will not be permitted to transfer their interests in the funds without the consent of the applicable general partner, which generally may be granted or withheld in its sole discretion. Such general partner will not grant its consent to any transfer that it believes could cause the funds to be treated as a "publicly traded partnership" for United States federal income tax purposes. Furthermore, the transferability of the interests will be subject to certain restrictions contained in the limited partnership agreements for the funds and may be affected by restrictions on re-sales imposed under federal and state securities laws. A public market does not currently exist for limited partner interests in the funds and one is not expected to develop.

### *Tax Risks*

The tax consequences to limited partners of an investment in the funds are complex. Potential limited partners are strongly urged to consult their professional advisors in this regard.

### *Debtor-in-Possession Loans*

From time to time, a fund may invest in or extend loans to companies that have filed for protection under Chapter 11 of the United States Bankruptcy Code. These debtor-in-possession ("DIP") loans are most often revolving working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

### *Bankruptcies*

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a fund. Furthermore, there are instances in which creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor. Additionally, the debt of companies in financial reorganization may not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. A fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

### *Special Situation Financings*

A fund may make investments in special situation financings, including event-driven situations such as recapitalizations, debtor-in-possession and other financings, corporate and financial restructurings, acquisitions, divestitures, reorganizations or other situations in public or private companies that may provide a Fund with an opportunity to provide debt and/or equity financing. Such investments may be originated by a fund and will typically be made on a negotiated basis. These investments are complicated and an incorrect assessment of the downside risk associated with an investment could result in significant losses to a fund.

### *Investments in Restructurings*

A fund may invest in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. Those financial difficulties may never be overcome and may cause the portfolio companies to become subject to bankruptcy proceedings. Investments in restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions. Such investments could, in certain circumstances, subject a fund to certain additional potential liabilities that may exceed the value of its original investment.

#### *Investments in Operating Turnarounds*

In some cases, the success of a fund's investment strategy will depend, in part, on the ability of EBP to restructure and effect improvements in the operations of a portfolio company, and there can be no assurance that EBP will be able to successfully identify and implement such restructuring programs and improvements.

#### *Reliance on the Management of Portfolio Companies*

Although it is EBP's intention to ensure that fund portfolio companies have strong management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully.

#### *Uncertainty of Financial Projections*

EBP may establish the capital structure of companies in which a fund invests on the basis of financial projections for such companies, which normally are based primarily on management judgments. Projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

#### *Foreign Investments*

A fund may invest in portfolio companies that are organized and operating outside the United States. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations and the application of complex tax rules to cross-border investments. In addition, the funds do not typically hedge currency risks.

#### *Uncertainty Regarding Investments*

Although EBP will make every effort to conduct appropriate due diligence prior to making an investment, the due diligence process may be subjective at times, may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and may

require EBP to rely on limited resources available to it, including information provided by the target of the investment and third-party consultants, legal advisers, accountants and investment banks. As a result, it is uncertain whether the due diligence investigation will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. EBP also cannot be certain that the due diligence investigation will result in investments being successful.

#### *No Registration of Fund or Interests*

The funds are not and are not expected to be registered as investment companies under the Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the Investment Company Act are not applicable to the funds. In addition, the limited partner interests in the funds have not been and will not be registered under the laws of any jurisdiction (including the Securities Act of 1933, as amended, the laws of any state of the United States, or the laws of any non-U.S. jurisdiction), and are being offered in reliance upon an exemption from such laws. These limited partner interests have not been recommended by any U.S. federal or state, or any non-U.S., securities commission or regulatory authority.

#### *Increased Regulatory Scrutiny*

The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory oversight. Such scrutiny may increase EBP’s and the funds’ exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on EBP, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert EBP’s time, attention and resources from portfolio management activities. It is anticipated that, in the normal course of business, EBP’s officers will have contact with governmental authorities and/or be subjected to responding to inquiries or examinations. Funds may also be subject to regulatory inquiries concerning their securities positions and trading.

#### *Force Majeure*

The operations of portfolio company assets are exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events, including, without limitation, wars, labor strikes, cyclones, earthquakes, landslides, floods, tsunamis, explosions, fires, terrorist attacks, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, toll rates, social instability, and competition from other forms of infrastructure. These risks could, among other effects, adversely impact the cash flows available from portfolio company assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on a portfolio company.

## **ITEM 9. DISCIPLINARY INFORMATION**

EBP is not aware of any legal or disciplinary events that would be material to clients' and prospective clients' evaluation of EBP or the integrity of our personnel.

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

EBP has no financial industry activities or affiliations for which disclosure is required.

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

### ***Code of Ethics***

Our code of ethics is documented in our Compliance Manual and Code of Ethics ("Manual"), a copy of which (and any amendments) is provided to each employee ("Access Person"). Each employee must certify that he or she has read, understands and agrees to comply with our Manual. Furthermore, each employee must certify annually that he or she has complied with the Manual. We also hold annual compliance training sessions and attendance at such sessions is mandatory for all employees.

Our Manual requires all of our employees to conduct themselves with integrity and dignity and act in a professional and ethical manner in all dealings on our behalf; act with competence and strive to maintain and improve their competence; use proper care and exercise independent professional judgment in the execution of their duties; avoid actions or relationships that might conflict, or appear to conflict with, job responsibilities or the interests of EBP and our clients; and comply with all applicable federal securities laws.

Subject to certain legally permitted exceptions, our Manual also requires all of our employees to notify us of all of their securities holdings and accounts and submit to us within 30 days after the end of each calendar quarter securities transaction reports identifying all securities purchased and sold. At least quarterly, we review the employee securities transaction reports as well as brokerage and adviser statements to determine compliance with our reporting procedures. Furthermore, we require that each Access Person re-affirm the accuracy of his or her list of accounts on record with us at least annually.

Our Manual also requires that employees obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of our Code of Ethics will be provided to any client, prospective client or investor upon request.

### ***Conflicts of Interest***

*Participation or Interest in Client Transactions.* We are generally entitled to receive management fees and a carried interest from our funds. The general partners of our funds also make capital commitments to such funds. Furthermore, we and our members and employees may receive fees from our funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies. Each of the foregoing may represent a material financial interest in the securities that we recommend to our client accounts.

Our entitlement to performance fees from our funds may incentivize us to cause our funds to make more speculative investments than would be the case in the absence of such performance fee arrangement. However, the significant capital commitments that will be made by the principals of EBP in each fund (which capital commitments are invested pro rata with the commitments of each fund's limited partners) may mitigate the effects of such conflict of interest.

*Allocation of Co-Investment Opportunities.* We may offer co-investment opportunities in our sole discretion to investors in the funds, our employees and other associated persons permitted to invest in our funds and to other third parties, including third parties whom we believe will be of strategic benefit to our funds or who may provide us broader capital raising opportunities. We do not expect to offer co-investment opportunities with respect to all investments and may allocate any such opportunities in our sole discretion. The allocation of co-investment opportunities may involve a benefit to us including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to our funds. We only offer co-investment opportunities if there is excess capacity in a particular investment after allocating the investment to our funds.

*Principal Transactions.* In the event that we or any of our affiliates engage in a principal transaction, we will seek the approval of the applicable fund's limited partner advisory committee, or other relevant body, in accordance with the terms of such fund's limited partnership agreement and such transaction will be undertaken only in compliance with Section 206(3) of the Investment Advisers Act of 1940, as amended and the rules and guidelines thereunder.

*Cross Transactions.* As neither we nor any of our affiliates is registered as a broker-dealer, we do not engage in agency cross transactions. In the event that we cause funds to enter into any cross transaction, we will seek any required consent in accordance with the terms of such funds' limited partnership agreements.

## **ITEM 12. BROKERAGE PRACTICES**

The investments made by our funds generally do not require the use of a broker-dealer. On certain occasions, however, an investment by a fund or disposition of securities held by a fund will require that we select a broker-dealer to execute a transaction. In that case, we will use a broker-dealer



whom we have determined will provide the “best execution” for the transaction. EBP may factor in broker size, reputation, as well as other factors when selecting a broker-dealer; therefore, lowest execution cost is not necessarily “best execution.”

EBP engages in no soft dollar transactions and receives no other benefit from client brokerage.

### **ITEM 13. REVIEW OF ACCOUNTS**

EBP and third party service providers will review the performance of the investments of each fund on a continuous basis. Each fund will be audited on a yearly basis by a firm of independent public accountants, who will conduct the audit in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). The funds will provide the following written financial reports to their investors:

- Annual audited financial statements;
- Annual tax information necessary for the completion of tax returns; and
- Quarterly unaudited financial reports

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

No third-party provides economic benefit to EBP in connection with EBP’s investment advisory services to its clients. EBP does not compensate any person who is not a supervised person for client referrals.

### **ITEM 15. CUSTODY**

We will engage a third party bank to serve as qualified custodian for our funds. Each fund (within 120 days of the end of its fiscal year) provides to its limited partners audited annual financial reports prepared in accordance with GAAP.

### **ITEM 16. INVESTMENT DISCRETION**

We enter into an investment management agreement with each fund where management authority is granted to us pursuant to a fund’s limited partnership agreement. Each such agreement, together with the management authority granted to each fund’s general partner pursuant to the funds’ limited partnership agreements, provides us with full discretion to determine investments to be purchased and sold on behalf of the fund and the terms of the related transactions. Limitations on



our investment discretion are set forth in the investment management agreements with, and the limited partnership agreements of, our funds.

#### **ITEM 17. VOTING CLIENT SECURITIES**

While the securities evidencing the private equity investments made by our funds will not typically be the subject of proxies, there could be certain circumstances where we, having discretionary authority over the accounts of our funds, may be asked to vote the securities of such funds on restructuring or other corporate matters (e.g., an IPO of a portfolio company). We will ensure that a record of each securities position held by each fund is maintained and, where any such vote is to occur, we will ensure that we receive all relevant information, disclosure materials and such proxies or consents as are necessary for us to be able to cast votes in the best interest of the funds in a timely manner. If we determine that, due to a conflict of interest, we are not capable of making an independent determination as to the voting decision, then the voting decision will be made by a special securities voting committee.

#### **ITEM 18. FINANCIAL INFORMATION**

There exists no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.