

Part 2A of Form ADV: Investment Adviser Brochure

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*This Investment Adviser Brochure ("Brochure") provides information about the qualifications and business practices of Northlane Capital Partners, LLC (the "Company"). If you have any questions about the contents of this Brochure, please contact us at (301) 272-9990 or contact our Chief Compliance Officer, Brian Foist at [Brian.Foist@northlanecapital.com](mailto:Brian.Foist@northlanecapital.com). 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 securities authority.*

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

*The Company 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.*

## **Item 2:      Material Changes**

Northlane Capital Partners, LLC filed its most recent Form ADV Part 2A on March 28, 2017. This annual amendment generally updates the description of the business practices of Northlane Capital Partners, LLC and its affiliates, and includes updates to the descriptions of fees and compensation, material risks and potential conflicts of interest.

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## Item 4: Advisory Business

Northlane Capital Partners, LLC, a Delaware limited liability company (the “**Company**”) is a registered investment adviser based in Bethesda, Maryland. The Company and its affiliated entities provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Company, the General Partners (as defined below) and their respective affiliates are referred to collectively herein as “**Northlane**” or the “**Firm**”. The Company commenced operations in 2016.

Northlane’s clients include the following (“**Fund I**,” and together with any future private investment fund to which Northlane provides investment advisory services, the “**Funds**” and each, a “**Fund**”):

- Northlane Capital Partners I, LP

The following general partner entity (the “**Fund I GP**”, and together with any future Northlane general partner entities, the “**General Partners**” and each, a “**General Partner**”) is affiliated with Northlane:

- Northlane Capital Partners I GP, LP

The Fund I GP is subject to the Advisers Act pursuant to the Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Fund I GP, which operates as a single advisory business together with the Company.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Northlane’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where Fund investments consist of portfolio companies, the senior principals or other personnel of Northlane generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Northlane’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements or governing documents (each, a “**Partnership Agreement**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” 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. The Funds or the General Partners generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Northlane expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Northlane’s personnel and/or certain other

persons associated with Northlane and/or its affiliates. Such co-investments typically involve investment and disposal of interests 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 vehicle 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 vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Northlane's sole discretion, Northlane is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2017, Northlane managed \$780,212,000 in client assets on a discretionary basis. The Company is controlled by its principal owners, Justin DuFour, Sean Eagle, Eugene Krichevsky and David Steinglass (the "**Principals**").

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

In general, Northlane receives a management fee and a carried interest in connection with advisory services. Northlane receives additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Northlane. Investors in a Fund also bear certain expenses.

### **Management Fees**

Each Fund pays Northlane, quarterly in advance, a management fee (the "**Management Fee**") as further described in such Fund's Memorandum, with such fees payable on a pro rata basis for any period that is less than a full quarterly period. Each Fund's General Partner generally makes capital calls on such Fund's investors for the amount of the Management Fee and pays the amounts received to the Company.

As more fully described in each Fund's Partnership Agreement, generally a Fund's Management Fee will be offset by all or a portion of Portfolio Company Fees attributable to Management Fee-paying investors in such Fund. "**Portfolio Company Fees**" include any break-up fees, directors' fees, financial consulting fees, advisory fees, monitoring fees and transaction and other similar fees paid to Northlane or its affiliates by, or attributable to, such Fund. To the extent that such an offset credit would reduce a Fund's Management Fee for a given period (as specified in each Fund's Partnership Agreement) below zero, the credit will be carried forward for future application against payable Management Fees and if a credit remains upon liquidation, a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (e.g., where an adverse tax consequence may result).

As a matter of practice, Northlane is typically paid Portfolio Company Fees from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which has the potential to be significant. Additionally, as further described below, to the extent that Northlane retains operating partners to provide services to (or with respect to) portfolio companies, compensation and other amounts received by such operating partners generally will not result in additional offsets to the Management Fee.

## Carried Interest

As more fully described in each Fund's Partnership Agreement, Northlane generally receives a carried interest with respect to each Fund after certain performance hurdles are met. The carried interest distributed to Northlane is subject to a potential giveback at the end of life of the relevant Fund if Northlane has received excess cumulative distributions and at certain interim intervals as provided in the Partnership Agreement. Such carried interest represents a portion of the relevant Fund's net investment profit.

## Other Information

Northlane is permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Northlane and any other person designated by Northlane. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Northlane and/or its affiliates, or through other Funds that co-invest with a Fund. For example, in instances where a Northlane professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, in certain cases Northlane has the right to permit investors, affiliated with Northlane or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

The Principals or other current or former employees of Northlane generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by Northlane.

In addition to the Management Fee and carried interest payable to Northlane, each Fund bears certain expenses. As set forth more fully in the Memorandum and/or Partnership Agreement of each Fund, a Fund bears all expenses relating to such Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce Portfolio Company Fees, including fees, costs and expenses related to the structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of investments; principal, interest, fees, expenses and other amounts payable in respect of financings; custody fees and costs of other third-party services; legal, accounting and other professional costs; travel; placement fees; any insurance, indemnity or litigation expenses; all costs of such Fund's administration, including preparation of its financial statements and reports to limited partners, costs of meetings of partners, expenses relating to regulatory compliance, expenses relating to such Fund's limited partner advisory board (including out-of-pocket expenses of its members), any taxes, fees or other governmental charges levied against such Fund, and other similar fees and expenses, including such fees and expenses, or other liabilities or obligations, incurred for transactions not consummated ("**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors, but not Northlane expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses). Each Fund also generally bears, subject to a specified maximum as described in such Fund's Memorandum and/or Partnership Agreement, all costs and expenses (including travel (other than

the portion of the cost of chartered or private air travel that exceeds the cost of a first class airline ticket for a substantially equivalent commercial flight), printing, legal, capital raising, filing and accounting fees and expenses) incurred in connection with the organization, funding and start-up of such Fund and all costs and expenses incurred in connection with the offering of Fund interests. Organizational expenses in excess of the specified maximum amount generally are paid by the relevant Fund but borne by Northlane through a 100% offset against the Management Fee.

The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of Northlane and/or its affiliates. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the relevant Partnership Agreement. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices".

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While Northlane believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Northlane is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Northlane's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or, in the judgment of the relevant General Partner(s), would otherwise have been beneficial, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

Northlane and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Northlane and/or its affiliates on the other hand.

### **Operating Partners**

Although it historically has not done so, Northlane is permitted to retain certain operating partners to provide services to (or with respect to) one or more Funds or current or prospective portfolio companies. Such operating partners generally would provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services could also include serving in management or policy-

making positions for portfolio companies. Operating partners generally would receive cash and/or non-cash compensation and reimbursements in connection with their services, and no such amounts will offset the Management Fee.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

As described under “Fees and Compensation,” Northlane receives a carried interest allocation on certain realized profits in each Fund. Northlane does not advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain fund investors as described under “Fees and Compensation.”

The existence of performance-based compensation has the potential to create an incentive for a Fund’s General Partner to make more speculative investments on behalf of such Fund than it would otherwise make in the absence of such arrangement, although Northlane generally considers performance-based compensation to better align its interests with those of its investors, especially given the Principals’ meaningful commitments of personal capital to the Funds.

## **Item 7: Types of Clients**

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

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

As set forth in detail in the applicable Memorandum and/or Partnership Agreement, each Fund has a specified minimum investment for third-party investors. Such minimum investment amount may be waived by Northlane with respect to any investor in a Fund. Fund interests are offered and sold solely to qualified purchasers (or qualified knowledgeable Northlane personnel).

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

### **General**

Northlane’s investment objective for the Funds is to make investments primarily in equity and equity-related interests in portfolio companies primarily focused on healthcare and business services. In evaluating potential portfolio companies, Northlane conducts extensive due diligence to analyze, among other things, a portfolio company’s market and competitive positions within that market, margin and cash flow profile, assets (such as brand strength, distribution capability and intellectual property),



management team and compensation structure, contingent liabilities (environmental, regulatory, accounting and otherwise), potential growth opportunities and potential exit strategies.

Northlane's investment strategy is primarily long-term investment in privately held companies. It is possible that some investments may be held for less than a year, though this is not typical of Northlane's investment strategy. Northlane's investment committee, composed of the four Principals, is ultimately responsible for making investment decisions for the Funds.

No guarantee or representation can be made that Northlane will achieve the investment objective of any Fund, or that limited partners will receive a return of their capital. Each Fund and its investors bear the risk of loss that Northlane's investment strategy entails. The risks involved with Northlane's investment strategy and an investment in a Fund include, but are not limited to, those described below. Prospective investors are advised to review the Memorandum of the relevant Fund for full details on such Fund's investment, operational and other actual and potential risks.

### **Risks of Investment**

The investment strategies pursued by Northlane involve a number of significant risks. These investment strategies may be deemed to be speculative, and such investment strategies are not intended as complete investment programs. They are designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments. Investment risks include, but are not limited to, the following:

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

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

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

***Concentration of Investments.*** Each Fund will participate in a limited number of investments (and may seek to make several investments in one industry or one industry segment or within a short period of time). As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

***Lack of Sufficient Investment Opportunities.*** The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, a Fund's limited partners will be required to bear Management Fees through such

Fund during its investment period based on the entire amount of such limited partners' commitments and other expenses as set forth in the relevant Partnership Agreement.

**Dynamic Investment Strategy.** While Northlane generally intends to seek attractive returns for the Funds primarily through making private equity investments, Northlane may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques as it determines appropriate. Northlane may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

**Impact of Government Regulation, Reimbursement and Reform.** Certain industry segments in which the Funds intend to invest, including various segments of the healthcare industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest. By way of example, the healthcare industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industry are introduced from time to time, which, if adopted, could have a significant impact on such industry in general and/or on companies in which the Funds may invest.

**Illiquidity; Lack of Current Distributions.** An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to such Fund's General Partner) may exceed its income, thereby requiring that the difference be paid from such Fund's capital, including unfunded commitments.

**Leveraged Investments.** A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market.

In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other Funds and may have a right of contribution, subrogation or reimbursement from or against such other Funds. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by 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.

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

***Restricted Nature of Investment Positions.*** Generally, there will be no readily available market for each Fund's investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to a Fund's 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 relevant Partnership Agreement, including the value used to determine the amount of carried interest available to Northlane with respect to such investment.

***Reliance on the General Partners and Portfolio Company Management.*** Control over the operation of each Fund will be vested with its General Partner, and each Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Principals expect to manage and devote substantial amounts of their time to the investment activities of multiple Funds, which may pose conflicts of interest in the allocation of the time of the Principals. A Fund's limited partners generally have no right or power to take part in the management of such Fund, and as a result, the investment performance of a Fund will depend on the actions of its General Partner. In addition, certain changes in a Fund's General Partner or circumstances relating to such General Partner may have an adverse effect on such Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although each Fund's General Partner will monitor the performance of each of such Fund's investments, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no

assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the relevant Fund's objectives.

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

**Conflicting Investor Interests.** A Fund's limited partners may have conflicting investment, tax, and other interests with respect to their investments in such Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by a Fund's General Partner regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, a Fund's General Partner generally will consider the investment and tax objectives of such Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

**Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.** There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategies or achieve their investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

In addition, legislation enacted on December 22, 2017 (the "**2017 Tax Legislation**"), contained significant changes to U.S. federal income tax law. The 2017 Tax Legislation treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with a Fund or its General Partner who were or may in the future be granted direct or indirect interests in such General Partner, which could make it more difficult for Northlane and its affiliates to incentivize, attract and retain individuals to perform services for the Funds. This could also create an incentive for Northlane to cause a Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

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

***Non-U.S. Investments.*** Although the Funds invest primarily in U.S. companies, they are permitted in certain circumstances to invest in North American companies outside of the United States and, in very limited circumstances (typically in the context of a follow-on investment), a Fund may acquire an interest in a company outside of North America. To the extent that a Fund invests in companies organized or headquartered or with substantial sales or operations outside of 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 (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or its partners with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or its partners.

***Hedging Arrangements; Related Regulations.*** A Fund's General Partner may (but is not obligated to) endeavor to manage such Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for a General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

***Significant Adverse Consequences for Default.*** Each Fund's Partnership Agreement provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the relevant Fund, a

defaulting limited partner may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of years, without interest.

***Dilution.*** Limited partners admitted or that increase their respective commitments to a Fund after such Fund's initial closing generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

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

***Transfer by General Partner.*** To the extent a General Partner, its partners, the Principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the relevant Partnership Agreement.

***Public Company Holdings.*** Although the Funds invest primarily in securities of privately held companies, it is possible that a Fund's investment portfolio will contain securities and/or debt issued by publicly held companies. Any such investments could subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

***Distressed Investments.*** A Fund may invest 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 Northlane 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.

***Non-Controlling Investments.*** A Fund may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes



that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would have been had such Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of such Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

***Lack of Unilateral Control.*** Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of such Fund or its limited partners. Such third parties may be in a position to take action contrary to such Fund's business, tax or other interests, and such Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

***Director Liability.*** A Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

***Limitation of Recourse and Indemnification.*** Each Fund's Partnership Agreement will limit the circumstances under which such Fund's General Partner and its affiliates will be held liable to such Fund. As a result, a Fund's limited partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, each Fund's Partnership Agreement will provide that such Fund will indemnify its General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of such Fund. Such indemnification obligations could materially impact the returns to limited partners.

***Litigation.*** In the ordinary course of its business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Northlane's and the Principals' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

***Advisory Board.*** Each Fund's General Partner will appoint one or more limited partner representatives to such Fund's limited partner advisory board. Each Fund's Partnership Agreement will provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to the relevant Fund or any other partner of such Fund. In addition, representatives of a Fund's advisory board may have various business and other relationships with Northlane, its employees and affiliates. These relationships may influence their decisions as members of such advisory board.

***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 a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

***Market Conditions.*** The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect such Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of its portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event such Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Fund to dispose of investments at prices that its General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective.

***Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.*** The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace



events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

**Material Non-Public Information.** As a result of the operations of Northlane and its affiliates, Northlane frequently comes into possession of confidential or material non-public information. Therefore, Northlane and its 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, might have been undertaken on account of applicable securities laws or Northlane's 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.

**Valuation of Assets.** There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, a Fund's General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by a General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

**Contingent Liabilities Upon Disposition.** In connection with the disposition of an investment, a Fund and its General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the relevant Fund and, ultimately, its investors.

**Cybersecurity Risks.** Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable 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 Northlane or one of its service providers holding its financial or investor data, Northlane, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Northlane's policies.

## Conflicts of Interest

Northlane and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of multiple Funds, and providing transaction-related, legal, management and other services to Funds and portfolio companies. Northlane 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 Northlane conducting its activities, the interests of a Fund may conflict with the interests of Northlane, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Northlane will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the limited partner advisory boards of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities generally will be pursued by Northlane through such Fund, subject to certain limited exceptions. Without limitation, Northlane currently manages, and expects in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Principals and Northlane's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Northlane or the Principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, Northlane and the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Northlane will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Northlane. In determining which investment vehicles should participate in such investment opportunities, Northlane and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Northlane in a portfolio company may also raise the risk of using assets of a client of Northlane to support positions taken by other clients of Northlane.

Northlane must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Northlane generally assesses whether an investment opportunity is appropriate for a particular Fund based on such Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Partnership Agreement(s), where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds in a manner consistent with the relevant Partnership Agreements and Northlane's procedures regarding allocation. Northlane will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Northlane's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Northlane will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors,

including third parties, as determined by the Funds' Partnership Agreements, Side Letters and Northlane's procedures regarding allocation. Northlane's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Northlane's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Northlane's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Northlane believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or Northlane. The Advisers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Northlane 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 Northlane investors. When and to the extent that employees and related persons of Northlane and its affiliates make capital investments in or alongside certain Funds, Northlane and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction will be equal to and not less than another Fund participating in the same transaction or that it will be as favorable as it would have been had such conflict not existed.

Northlane'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 Northlane 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 have been if the conflicts of interest to which Northlane may be subject did not exist.

In certain cases, Northlane will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Northlane will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. 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. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Northlane in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Northlane may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Northlane may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. Northlane intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Northlane and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Northlane 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, Northlane 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 Northlane 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, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. 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.

As a result of the Funds' controlling interests in portfolio companies, Northlane and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Northlane personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Northlane and/or its affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Northlane.

Additionally, a portfolio company typically will reimburse Northlane or service providers retained at Northlane's discretion for expenses (including without limitation travel expenses) incurred by Northlane or such service providers in connection with its performance of services for such portfolio company. This subjects Northlane and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Northlane determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

Northlane generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Northlane or a related person of Northlane (which may include a portfolio company of such Fund), (ii) an entity with which Northlane or its affiliates or current or former members of their personnel has a relationship or from which Northlane or its affiliates or their personnel otherwise derive financial or other benefit or (iii) certain limited partners or their affiliates. For example, Northlane 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 related business. This discretion subjects Northlane to conflicts of interest, because although Northlane selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Northlane may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Northlane, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Northlane), 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 Northlane has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, from time to time Northlane may cause a Fund to enter into a transaction whereby such Fund purchases securities from, or sells securities to, other Funds managed by Northlane, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such a transaction is entered into represents what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Partnership Agreements or

otherwise in the sole discretion of Northlane, Northlane may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's limited partner advisory board) to such transactions. In certain circumstances, Northlane may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to a Fund under then-current market conditions. Northlane intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although Northlane generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Northlane intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Northlane and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Northlane and/or its affiliates; conversely, current or former personnel or executives of Northlane and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by Northlane. Similarly, Northlane, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. 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, Northlane and/or its affiliates, and/or the Funds or other investment vehicles they advise. Northlane 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 Northlane information about markets and industries in which Northlane operates (or is contemplating operations) or will provide other services that are beneficial to Northlane. Northlane may have a conflict of interest in making such recommendations, in that Northlane 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.

Northlane, its affiliates, and equity holders, officers, principals and employees of Northlane and its affiliates may buy or sell securities or other instruments that Northlane has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Northlane 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.



Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Northlane, are reimbursed by a Fund and/or its portfolio companies, Northlane will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

As described above, Northlane is permitted to retain operating partners, although it historically has not done so. The use and compensation of operating partners by Northlane and/or the portfolio companies would subject Northlane to potential conflicts of interest. Northlane generally will seek to retain and compensate any operating partners in a manner that is beneficial to portfolio companies, but there can be no assurance that no other service provider could perform the relevant service more effectively or at a lesser cost than an operating partner.

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 Northlane might not otherwise have done so.

Any of these situations subjects Northlane and/or its affiliates to potential conflicts of interest. Northlane attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds, and attempts to allocate investment opportunities among a Fund, other Funds and any other Northlane investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Northlane will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Northlane consults and receives consent to conflicts from the limited partner advisory board(s) of the relevant Fund(s).

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

Northlane and its 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**

These affiliated entities operate as a single advisory business together with the Company and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Neither the Company nor any of its directors, officers or Principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the Company nor any of its directors, officers or Principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or is an associated person of any of the above.

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

Northlane has adopted a code of ethics and securities trading policy and procedures (the “Code”) that sets forth standards of conduct for its Principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Northlane personnel to report their personal securities transactions, and prohibits Northlane personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or private placement without first obtaining approval from the Northlane 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 Brian Foist, the Northlane Chief Compliance Officer, at (301) 272-9990. 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.

Although Northlane typically does not cause the Funds to buy or sell securities of public companies, Northlane and its 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, Northlane and its 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 Northlane.

Accordingly, should Northlane or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public companies, Northlane generally would be prohibited from communicating such information to clients, and Northlane will have no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Northlane personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Northlane and its 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. Co-invest opportunities may also be presented to certain affiliates of Northlane, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

Northlane and its 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 a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.



## **Item 12: Brokerage Practices**

Northlane's advisory business generally focuses on privately negotiated transactions of private companies in which best execution obligations do not arise in the same context as transactions in publicly traded securities, but for which the services of a broker-dealer may be retained. The Adviser may also distribute securities to investors in a Fund or sell such securities, including through a broker-dealer, if a public trading market exists. Although Northlane does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

Consistent with Northlane seeking to obtain "best execution", the factors considered in selecting a broker may include, but are not limited to, Northlane's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker selected and other brokers considered; Northlane's knowledge of actual or apparent operational problems of any broker; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

In Northlane's private company securities transactions on behalf of the Funds, Northlane 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, Northlane 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 Northlane 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.

The Company does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

## **Item 13: Review of Accounts**

The investments made by the Funds are generally private, illiquid and long-term in nature; accordingly, Northlane's review process is not directed toward a short-term decision to dispose of securities. However, Northlane closely monitors companies in which the Funds invest, and Northlane's Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

On a quarterly basis, investors in each Fund will receive written financial reports, including a balance sheet, a statement of net income or net loss, a statement of changes in financial position or a cash flow statement, and a supplemental statement of such investor's capital account. On an annual basis, investors in each Fund also will receive audited financial statements of such Fund, valuations of all of such Fund's investments and tax information necessary for the completion of U.S. tax returns.

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

From time to time, Northlane may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by Northlane indirectly through an offset against the Management Fee, 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). If Northlane compensates a placement agent for referring an investor, such arrangements will be disclosed in writing to the investor.

## **Item 15: Custody**

Northlane is deemed to have custody over the assets of the Funds because of the authority of Northlane and its affiliates over the accounts and assets of the Funds. Although investors in the Funds do not receive statements directly from the Funds' custodians, they do receive the applicable Fund's annual financial statements audited by an independent public accounting firm. See Item 13 (Review of Accounts). The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the applicable Fund's fiscal year end. Investors in the Funds are urged to carefully review such statements.

## **Item 16: Investment Discretion**

Northlane has discretionary authority to manage investments on behalf of each Fund. As a general policy, Northlane does not allow clients to place limitations on this authority. Pursuant to the terms of each Partnership Agreement, however, Northlane and/or its affiliates 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. Northlane assumes this discretionary authority pursuant to the terms of an Advisory Agreement and the Partnership Agreement and powers of attorney executed by the limited partners of each Fund.

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

Northlane has adopted and implemented written policies and procedures governing the voting of client securities (the "**Proxy Policy**"). The Funds invest primarily in privately held companies that do not typically issue proxies. However, in the event proxies have to be voted, Northlane will be responsible for voting proxies on behalf of the Funds. The Proxy Policy seeks to ensure that Northlane votes proxies (or similar instruments) in the best interest of the relevant Fund, including where there may be material conflicts of interest in voting proxies. Northlane generally believes its interests are aligned with those of each Fund's investors, for example, through the Principals' beneficial ownership interests in such Fund, and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Northlane may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's limited partner advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's limited partner advisory board may approve Northlane's vote in a particular solicitation. Northlane does not consider service on portfolio company boards by Northlane personnel or Northlane's 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 Northlane when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Northlane's complete Proxy Policy or information regarding how Northlane voted proxies for particular portfolio companies may contact Brian Foist, the Northlane Chief Compliance Officer, at (301) 272-9990, and it will be provided at no charge.

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

Northlane does not require prepayment of management fees six months or more in advance or have any other events requiring disclosure under this item of the Brochure. Nonetheless, Northlane is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to the Funds. Northlane has never been the subject of a bankruptcy petition.