

FORM ADV PART 2A: BROCHURE



**NRD Capital Management, LLC**

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404-865-3342

CRD # 289964

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**This brochure (the “Brochure”) provides information about the qualifications and business practices of NRD Capital Management, LLC and its relying advisers (“NRD Capital” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 404-865-3342. 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. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**Additional information about NRD Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search the SEC’s site using a unique identifying number, known as a CRD number. The CRD number for NRD Capital is # 289964.**

## **ITEM 2: MATERIAL CHANGES**

This Form ADV Part 2A Brochure for NRD Capital Management, LLC and its relying advisers (“NRD Capital” or the “Adviser”) has been revised to reflect the new Chief Compliance Officer of the Adviser, Jane Shahmanesh (917-885-2596 or [jane@adherencellc.com](mailto:jane@adherencellc.com)).

Going forward, NRD Capital will provide clients with a summary of any material changes to this Brochure within 120 days of the close of the Adviser’s fiscal year end. NRD Capital may provide additional interim disclosure about material changes, if warranted, in compliance with regulatory guidance. For a current copy of the Adviser’s Brochure, please contact Jane Shahmanesh, Chief Compliance Officer, at (917) 885-2596 or [jane@adherencellc.com](mailto:jane@adherencellc.com). Additional information about the Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD # 290282.

## **IMPORTANT NOTE ABOUT THIS BROCHURE**

***This Brochure is not:***

- ◆ ***An offer or agreement to provide advisory services to any person;***
- ◆ ***An offer to sell interests (or a solicitation of an offer to buy interests) in any Fund advised by NRD Capital Management, LLC, or its affiliates; or***
- ◆ ***A complete discussion of the features, risks or conflicts associated with any Fund advised by NRD Capital Management, LLC, or its affiliates.***

*In accordance with the Investment Advisers Act of 1940, as amended (“Advisers Act”), NRD Capital Management, LLC provides this Brochure to current and prospective clients. NRD Capital Management, LLC may also, in its discretion, provide this Brochure to current or prospective investors in certain Funds, together with other relevant offering materials, such as a Fund’s private placement memorandum, prior to, or in connection with, such persons’ investment in such Funds.*

*Although this Brochure describes the investment advisory services of NRD Capital Management, LLC, persons who receive this Brochure (whether or not from NRD Capital Management, LLC) should be aware that it is designed solely to provide information about NRD Capital Management, LLC as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may not include all information provided in relevant offering materials.*

*More complete information about each Fund advised by NRD Capital Management, LLC and its affiliates is included in relevant offering materials which may be provided to current and eligible prospective investors only by NRD Capital Management, LLC, its affiliates, or its authorized agents. If there is any conflict between information conveyed in this disclosure document and that conveyed in any offering materials, the information contained in the relevant offering materials will govern and control.*

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#### **ITEM 4: ADVISORY BUSINESS**

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

NRD Capital Management, LLC is a limited liability company headquartered in Atlanta, GA. NRD Capital Management, LLC also has two relying advisers, NRD OF I Management Company, LLC, and NRD Capital Management II, LLC (together with NRD Capital Management, LLC, “NRD Capital” or the “Adviser”). Managing Partner Aziz Hashim is the 100% owner of NRD Capital. Founded in 2014, NRD Capital provides capital through sponsored private equity and real estate funds. Through private equity sponsored funds, the Adviser provides capital principally to franchise and multi-unit companies with a primary focus on restaurants, technologies, and service/retail opportunities. NRD Capital invests in small to mid-sized domestic and international brands it believes have the potential to deliver attractive returns. Through real estate fund sponsorship, the Adviser acquires, owns, holds for investment, operates, and disposes of real estate investment properties. The Adviser infuses both capital and operating experience into its investments. Throughout this Brochure, the private equity and real estate funds sponsored by NRD Capital are referred to as the “Funds”.

#### Affiliated Entities

Each Fund establishes or identifies an individual or entity to serve as the general partner (“General Partner”) of that Fund. Each Fund pays management and/or performance fees to the General Partner of that Fund. The General Partner may not have employees and thus contracts with and provides the authority to NRD Capital and its affiliates to perform the services required to administer a Fund.

This management structure can potentially lead to conflicts of interest. For example, a Fund will be managed by the General Partner, which is beneficially owned by one or more Principals. The Principals may also acquire interests and become investors in a Fund, giving the Principals the right to vote on matters subject to the vote of investors. In setting various fees and other conditions for management of a Fund and in determining distributions, the members of the General Partner have potential conflicts of interest between their personal interests as members of the General Partner and their fiduciary duties to a Fund. There can be no assurances that the financial arrangements between the General Partner and/or affiliates of the General Partner and a Fund are no less favorable to a Fund than could be negotiated in arm's length dealings. Prospective investors are urged to consider for themselves whether the management arrangements and allocation of distributions contemplated for a Fund are fair and reasonable.

Each affiliated General Partner is deemed to operate as a single advisory business together with NRD Capital, pursuant to NRD Capital's registration, in accordance with SEC guidance. Throughout this Brochure, NRD Capital Management, LLC, together with its relying advisers and affiliates, including General Partner entities, are referred to as “NRD Capital”, the “Adviser”, “we”, “us”, and “our”.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning,**

**quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

### Advisory Services

NRD Capital serves as investment adviser and provides discretionary investment advisory services to each Fund pursuant to a separate written investment advisory agreement with each Fund and its General Partner. The Investment Committee for each Fund is comprised of NRD Capital professionals. Each Fund is an advisory client of NRD Capital. While this Brochure may be provided to limited partners (“investors” or “limited partners”) in a Fund, NRD Capital does not provide investment advice directly to limited partners and therefore, limited partners are not clients of NRD Capital.

The Funds are offered exclusively to individuals who qualify as “accredited investors” under Regulation D promulgated under the Securities Act of 1933, as amended (the “1933 Act”), and/or “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act and are therefore not required to register as investment companies with the SEC in accordance with the exemptions set forth in Sections 3(c)(1) or 3(c)(7) of the Investment Company Act. Investment strategies and guidelines are not tailored to the individualized needs of any particular investor in a Fund. Once invested in a Fund, an investor cannot impose restrictions on the types of securities in which such Fund may invest. Investments in a Fund involve significant risks and should be regarded as long-term in nature, forming only one portion of an investor’s diversified investment portfolio.

### Fund Structure

The specific investment strategy, structure, diversification guidelines, terms of investment, and other terms and conditions associated with each Fund are described in the Fund’s subscription agreement, offering or private placement memorandum, operating or limited partnership agreement, or similar disclosure and governing documents (collectively, the “Offering Documents”) prepared specifically for the offering of interests in such Fund. With respect to any Fund, this Brochure is qualified in its entirety by the Offering Documents.

### Investment Strategy – Private Equity

The private equity Funds seek to enhance the value of portfolio companies by utilizing the management expertise of the Adviser to effect the following: (i) upgrade and broaden the portfolio company’s management talent; (ii) complete strategic acquisitions to improve the competitive capability of the portfolio company; (iii) improve operations; and (iv) refine stand-alone business strategies to attract prospective corporate parent interest. The investment term of each Fund is specified in the applicable Fund’s Offering Documents. With respect to any Fund, this Brochure is qualified in its entirety by the Offering Documents.

Each Fund will generally utilize one of the following exit strategies to monetize portfolio assets: (i) sell a portfolio company privately; or (ii) take the portfolio company public via an initial public

offering. It is anticipated that most portfolio companies will be sold to private buyers. The Funds mainly invest in non-public companies, although they may invest in public companies, subject to any limits set forth in the applicable Fund's Offering Documents. Each Fund may also hold public company investments as a result of a sale of all or a portion of a Fund's investments in a portfolio company, such as when a portfolio company goes public or is sold to a public company and a Fund receives stock. When investing in portfolio companies, one or more Principals of the Adviser may serve on portfolio company boards of directors or otherwise act to influence the management of these companies until the applicable Fund exits the investment.

#### Investment Strategy – Real Estate

The real estate Funds acquire, own, hold for investment, develop, entitle, operate, improve, maintain, refinance, manage, lease, exchange, sell and dispose of real estate investment properties. The specific investment strategy, structure, diversification guidelines (if any), terms of investment and other terms and conditions associated with each real estate Fund are described in the Fund's Offering Documents prepared specifically for the offering of interests in such Fund.

- C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

Once invested in a Fund, an investor cannot impose restrictions on the types of securities in which such Fund may invest. NRD Capital tailors its advisory services to the particular investment strategy, criteria and guidelines as set forth in the Offering Documents for each Fund that is a client of NRD Capital. The General Partner may negotiate side letters or side agreements with certain Fund investors.

- D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

NRD Capital does not participate in wrap fee programs.

- E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

As of April 1, 2020, NRD Capital had \$260 million in discretionary Regulatory Assets under Management.

#### **ITEM 5: FEES AND COMPENSATION**

- A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

#### Fees and Compensation – Private Equity Funds

The Adviser typically charges a quarterly advisory fee (the “Management Fee”) as described in relevant Offering Documents. Fees and other compensation paid by a Fund to the Adviser may vary from Fund to Fund and may be different from the fees and compensation payable in respect of any successor fund or co-investment vehicle formed to facilitate a Fund investment.

Management Fees are initially derived from capital commitments assigned to the limited partner investors in a Fund. The Management Fee will subsequently “step down” to be calculated in line with provisions of applicable Offering Documents. A Fund’s investment period, specified within the Offering Documents, is the limited period in which a Fund is permitted to enter into new investments.

#### Fees and Compensation – Real Estate Funds

Generally, no management fee is charged with respect to any real estate Fund partner’s capital commitment or otherwise. Fees paid by the Fund’s portfolio companies, including commitment fees, breakup fees, monitoring fees and success fees, may be paid to the General Partner.

#### Carried Interest

In addition to the payment of ongoing Management Fees (where applicable), a Fund (and indirectly the limited partner investors) are also typically required to allocate to the General Partner of the applicable Fund a carried interest based upon a percentage of a Fund’s return on invested capital. Co-investment vehicles formed to facilitate a Fund’s investment typically may or may not be subject to any carried interest. For additional details about such performance-based compensation, please refer to *Item 6 – Performance-Based Fees and Side-by-Side Management*.

Management Fees, carried interest, and/or any other compensation payable to the Adviser or its affiliates are generally negotiated with a Fund and/or its underlying investors and may depend on, among other factors, the amount of capital committed to a Fund.

#### Variation in Fees and Terms

Fees and other compensation paid by a Fund to the General Partner may vary from Fund to Fund. Investors should carefully review the Offering Documents of the relevant Fund in conjunction with this Brochure for complete information about fees, compensation, and expenses. Similar advisory services may be available from other investment advisers for similar or lower fees.

#### Waiver of Management Fees

The Adviser may opt to waive a portion of its Management Fee and instead have the limited partner investors contribute a portion of the General Partner’s capital commitment to a Fund, although the General Partner will share in distributions related to the amount contributed by the limited partners on its behalf. The Adviser will generally not assess Management Fees on the General Partner’s and certain affiliated limited partners’ (such as “friends and family” of the Adviser or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors) portion of a Fund’s committed capital. The Adviser retains the right to reduce or waive the Management Fee due from a limited partner investor at its discretion.



### Other Fees and Expenses

The Adviser is liable for its normal operating overhead and administrative expenses, including salaries, bonuses and employee benefits, office facilities, back office support, accounting, management/finance functions, marketing, and other management-related costs. The Principals or other current or former employees of the Adviser generally receive salaries and other compensation derived from, which in certain cases may be structured to include a portion of, the Management Fee, carried interest, or other compensation received by the Adviser or its affiliates.

### Expenses – Private Equity Funds

The General Partner will bear all normal operating expenses of each Fund including salaries, wages, rent, travel, and all normal expenses incurred in the investigation and management of investment opportunities. Each Fund will bear all legal, audit and banking fees and expenses, brokerage, finder and other transaction fees, and any extraordinary expenses of the Fund, including indemnification and insurance expenses.

A Fund's organizational expenses will be paid directly by the Fund. The General Partner does not contemplate that any brokerage, underwriting, or placement fees or commissions will be incurred in connection with a Fund's offering, but if such fees are incurred they will be borne by the Adviser.

### Expenses – Real Estate Funds

The General Partner will bear all normal operating expenses of the real estate Funds including salaries, wages, rent, travel, and all normal expenses incurred in the investigation and management of investment opportunities. The Fund or a property (as applicable) will pay directly, or reimburse the General Partner, the Adviser or its affiliates for, all expenses related to its activities on behalf of a Fund (or applicable property) including, without limitation, legal, auditing, accounting, loan servicing expenses, and tax preparation services (whether paid to a third party or provided by an affiliate based on market rates), costs related to the investigation, purchase or sale (whether or not consummated) and holding of investments, travel, meals, financial research, market analysis, risk management, interest on borrowed funds, taxes, the cost of property and liability insurance, directors' and officers' liability insurance and indemnification expenses, extraordinary expenses such as litigation and "broken deal" expenses.

Each Fund will bear all legal, audit and banking fees and expenses, brokerage, finder and other transaction fees, and any extraordinary expenses of the Fund, including indemnification and insurance expenses. The Fund's organizational expenses will be paid directly by the Fund. The General Partner does not contemplate that any brokerage, underwriting, or placement fees or commissions will be incurred in connection with a Fund's offering, but if such fees are incurred they will be borne by the Adviser.

### Other Considerations

If a Fund proposes to structure an investment using a blocker corporation or other intermediate entity to avoid causing certain limited partners to incur unrelated business taxable income or ECI (effectively connected with the conduct of a trade or business within the United States), all costs, expenses and reduction in proceeds attributable to such blocker corporation or other intermediate entity, including those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, a blocker corporation or other intermediate entity shall be borne solely by the limited partners investing through such blocker corporation or other intermediate entity.

For legal, tax, regulatory, accounting, or other similar reasons, a Fund may form one or more alternative investment entities to make, restructure or otherwise hold investments, including outside of a Fund (including any flow-through investment vehicle). Generally, in such event, each limited partner that participates in such an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in a Fund; provided that each limited partner elects through a subscription agreement whether to participate in flow-through investment vehicles. Alternative investment vehicles are included in all references to a Fund throughout this Brochure, as appropriate.

This list does not represent all applicable fees and expenses borne by a Fund. For further discussion of brokerage fees, commissions and other related transaction costs and expenses, please refer to *Item 12 – Brokerage Practices* and a Fund's Offering Documents.

#### Allocation of Fees and Expenses

The Adviser pays its share of any expenses that are attributable to management company operations. A Fund generally pays (or reimburses the Adviser) for its proportionate share of fees and expenses which are incidental or related to the maintenance of a Fund or the buying, selling, and holding of investments according to the methodology set forth in the Offering Documents of such Fund. Expenses that are attributable to more than one Fund generally are allocated among such Funds based on a methodology deemed appropriate and equitable by the Adviser, for example on the basis of respective aggregate capital commitments or net assets under management. While the Adviser 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.

As described further in *Item 12 – Brokerage Practices*, in certain circumstances, the Adviser may permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to the Adviser's related policies and the relevant Offering Documents 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 a Fund. 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 would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all broken deal expenses relating to such proposed transaction will be borne by a Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

**B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

The Adviser is authorized under the Offering Documents of each Fund to charge and deduct advisory fees directly from the contributed capital and/or other assets of the applicable Fund. Management Fees, where applicable, are generally payable by a Fund quarterly in advance. The General Partner of a Fund typically makes capital calls on investors for their pro rata share of Fund expenses (including Management Fees). Following the dissolution of a Fund, the General Partner of a Fund will, in accordance with the partnership agreement, make a final determination of all items of income, gain, loss and expense. After payment or provision for payment of all liabilities and obligations of a Fund, the remaining assets, if any, will, in accordance with the partnership agreement, be distributed to investors.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

Transaction Fees

In accordance with certain Fund Offering Documents, the General Partner will in some cases receive and retain (without any reduction in the Management Fee) a designated amount (the "Non-Offset Cap") of Transaction Fees paid in any fiscal year. At such time as the General Partner has received and retained Transaction Fees equal to the Non-Offset Cap, the Management Fee will be reduced by a defined percentage of Transaction Fees until the aggregate Transaction Fees equal a target amount and, thereafter, the Management Fee will be reduced by an amount equal to a defined percentage of Transaction Fees, in each case, attributable to partners not designated as "affiliated partners" by the General Partner.

"Transaction Fees" include: (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees with respect to Fund transactions not completed that are paid to the General Partner, in each case net of certain expenses (including those described below) as set forth in the partnership agreement; but not including, in any event, any amount received by the General Partner, the Operations Group or other person from a Fund portfolio company (a) as reimbursement for expenses directly related to such portfolio company, (b) as payment for services provided to such portfolio company in the ordinary course of such portfolio company's business, (c) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company or (d) as compensation (including fees, incentive equity or other stock awards) for services rendered by the Operations Group (or a member thereof) to a Fund portfolio company or a prospective Fund portfolio company. Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees.

Any Transaction Fees with respect to an investment or potential investment (including a transaction not consummated) shall be allocated to the applicable Fund (and may be offset against the Management Fee as described above) only to the extent of the Fund's relative ownership (or anticipated ownership) of such investment or potential investment on a fully diluted basis. Accordingly, a Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fee and not the portion allocable to any other person that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment.

See *Item 12 – Brokerage Practices* for additional information about potential conflicts of interest related to brokerage practices.

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Annual Management Fees, when applicable, are generally paid quarterly and are typically paid in advance. To the extent that Management Fees are paid in advance, there typically would not be any refund of pre-paid fees if the advisory contract is terminated before the end of a quarterly period. Under the legal terms of a Fund's subscription agreement that is signed by each investing limited partner for such Fund, limited partners are not permitted to withdraw from a Fund and are required to maintain their investments throughout the life of a Fund. The transfer or assignment of limited partner interests requires the approval of the Fund's General Partner. See applicable Fund Offering Documents for more details.

**E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.**

NRD Capital and its employees do not accept compensation, including sales charges or service fees, for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

In addition to the compensation discussed in *Item 5 – Fees and Compensation*, an affiliate of the Adviser, as the General Partner of a Fund, is typically eligible to receive performance-based compensation, also referred to as “carried interest.” Carried interest is equal to a percentage of a Fund’s or portfolio company’s net profits. Any carried interest will be paid in accordance with Section 205(3) of the Advisers Act and the applicable rules promulgated thereunder, which specify certain qualification thresholds for clients of the Adviser being assessed such a fee. Any share of profits paid to the General Partner of a Fund is separate and distinct from the Management Fees charged by the Adviser for advisory services to a Fund. Carried interest is subject to individualized negotiation with the limited partners investing in each Fund.

#### Mitigating Conflicts of Interest Associated with Carried Interest

Carried interest may create an incentive for the Adviser and the General Partner to make more speculative investments for a Fund than it would otherwise make in the absence of such performance-based compensation. However, conflicts of interest associated with carried interest are mitigated by: (i) the requirement that invested capital and related expenses be returned to investors before the General Partner of a Fund becomes entitled to receive any carried interest; and (ii) and in most cases, the requirement that the General Partner have a capital commitment to a Fund.

Additionally, to the extent that NRD Capital personnel are assigned varying percentages of carried interest from a Fund, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

The Adviser seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to a Fund in accordance with each Fund’s investment guidelines and Offering Documents, as well as other factors that do not include the amount of performance-based compensation received by the Adviser or its personnel.

#### **ITEM 7: TYPES OF CLIENTS**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

As noted in *Item 4 – Advisory Business*, NRD Capital provides discretionary investment advisory services to the Funds, which are clients of NRD Capital. Limited partners of a Fund are not considered investment advisory clients of NRD Capital. Fund limited partners may include high net worth individuals, other investment entities, university endowments, family offices, trusts, estates, or charitable organizations or other corporations or business entities and may include, directly or indirectly, the Principals or other employees of NRD Capital and its affiliates and members of their families.

Investment minimums are set forth in each Fund's Offering Documents. NRD Capital may waive or reduce minimum investment requirements in its discretion and reserves the right to decline any investor in its sole discretion.

### Multiple Funds

During a Fund's active investment period, the Adviser will pursue all appropriate investment opportunities that meet the investment criteria of a Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Offering Documents. However, the Adviser may manage multiple investment funds and investments similar to those in which an active Fund will be investing and may direct certain relevant investment opportunities to those investment funds and investments. If other investment funds are formed, the Principals and the Adviser's investment staff will manage and monitor such investment funds and investments. The Adviser believes that the significant investment of the Principals in each Fund, as well as the Principals' share of carried interest, operate to align, to some extent, the interest of the Principals with the interest of limited partner investors, although the Principals have or may have economic interests in such other investment funds and investments as well and receive Management Fees and carried interests relating to these interests. Such other investment funds and investments that the Principals may control or manage may compete with an active Fund or companies acquired by a Fund. New investments will be allocated in accordance with the Adviser's allocation policies, and as set forth in Fund Offering Documents.

### Alternative Investment Vehicles

For legal, tax, regulatory, or other reasons, a Fund may form one or more alternative investment entities to make, restructure or otherwise hold investments, including outside of a Fund. Generally, in such event, each limited partner that participates in such an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in a Fund. Alternative investment vehicles are included in all references to Fund herein as appropriate.

### Parallel Investment Entities

To facilitate investment by non-U.S. and certain other investors, the General Partner may create one or more parallel investment entities, the structure of which may differ from that of a Fund but that will invest proportionately in all transactions on substantially the same terms and conditions as the Fund, except as necessary to address tax, regulatory or other considerations. Parallel investment entities are included in all references to Fund herein as appropriate.

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

- A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

### Methods of Analysis and Investment Strategies

As discussed in *Item 4 – Advisory Business*, NRD Capital structures private Funds built around an investment platform combining a primary focus on the franchise or non-franchise business model and all related modalities of investment within the model including venture, growth, real estate, special situations, and public stock companies.

The Funds focus on companies that primarily operate in the retail service space, real estate, special situations, and other ventures. Investments are principally made in subsectors where the Funds have the greatest competitive advantages, which include the ability to underwrite targets that have compelling unit-level economics or can benefit from a Fund’s operational experience. Subsectors include but are not limited to (i) growth stage franchisors or chain brands, (ii) under-managed legacy brands, (iii) technology providers to franchise and non-franchise multi-unit operator, (iv) special situations, (v) real estate, (vi) hospitality and other service sectors, as well as (vii) international brands.

### Risk of Loss

An investment in a Fund involves significant risks and should be undertaken only by prospective investors capable of evaluating and bearing such risks. Fund returns may be unpredictable and, accordingly, a Fund’s investment program is not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in a Fund as part of a broader overall investment strategy, and only if the prospective investor is able to withstand a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the limited partner interests. Due to these factors, as well as other risks inherent in any investment, there can be no assurance that a Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program.

The risks disclosed in this Brochure do not represent all risks and other considerations involved in connection with an investment in a Fund. Prospective investors should make their own inquiries and investigation, including an evaluation of the merits and risks involved and the legality and tax consequences of a Fund investment, and consult their own advisors as to a Fund, the offering of limited partner interests, and the legal, tax and related matters concerning an investment in a Fund.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

This Brochure does not include every potential risk of investing in an NRD Capital Fund. Other detailed risk-related information can be found in each Fund’s Offering Documents. An investment in a Fund is suitable only for sophisticated investors who are capable of making an informed independent decision as to the risks involved in an investment. There can be no assurance that the investment objective of any Fund will be achieved or that an investor will receive a return of his/her/its capital. An investment in a Fund provides limited liquidity since the interests are not freely transferable, and a Fund’s investments are illiquid.

A summary of risks is provided below, however prospective investors should consult a Fund's Offering Documents for a complete view of the risks of investment.

### Risks – Private Equity

**Risk of Investment in Companies:** Although venture capital investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks involved with investing in companies at an early-stage of development with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial capital to support expansion or to achieve and maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

**Minority Investments:** The Funds may invest in minority positions of companies and in companies for which the Funds have no right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, whose interests may conflict with the interests of the Funds.

**Availability of Investment Opportunities:** The business of identifying and structuring venture capital transactions is highly competitive. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments which fit the Funds' investment guidelines are not identified.

**Financial and Business Risks:** Fund investments will generally involve a significant degree of financial and/or business risk. Companies in which the Funds invest may face intense competition, changing business and economic conditions or other developments which may adversely affect their performance. Moreover, the products of companies in which the Funds invest may encounter competition from products with new and more advanced technology and this could affect those companies' financial performance and the ability of the General Partner to achieve liquidity for Fund investments through sale, disposition, or public offering of securities.

**Cybersecurity Risk:** A cybersecurity breach could result in the loss or theft of investor data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, disruption of Fund operations, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Funds, the General Partner, the Adviser, or other service providers to incur regulatory penalties, reputational damage, remediation costs, litigation costs, additional compliance costs, or financial loss. In addition, such incidents could affect companies in which the Funds invest, and thereby cause Fund investments to lose value. Intentional cybersecurity breaches include unauthorized access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such



as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws).

**Franchisee Risk:** Fund portfolio companies may have limited control over its franchisees and the franchisees could take actions that could harm the portfolio companies' businesses. Franchisees are independent contractors; portfolio companies will not exercise control over their day-to-day operations. Consequently, franchisees may not successfully operate restaurants in a manner consistent with the standards and requirements of the portfolio companies, may not hire and train qualified managers and other personnel, and may not have the business acumen or financial resources necessary to operate successful franchises in their franchise areas.

**Competitive Industry:** A portfolio company may face intense competition in its markets, which could hurt its business, including intense competition from both traditional and other competitors, which include many non-traditional market participants such as convenience stores and coffee shops. Portfolio companies will compete on the basis of product choice, quality, affordability, service, and location. The ability of portfolio companies to compete successfully in the current market environment depends on its ability to improve existing products, develop new products, price its products appropriately, manage the complexity of its restaurant operations and respond effectively to its competitors' actions. Although the Funds anticipate providing guidance and assistance in such matters, there can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting other metrics of its portfolio companies.

**Brand Risks:** The Funds seek to identify portfolio companies with strong brands, and to enhance and leverage the value of such brands. Brand value is based in part on consumer perceptions on a variety of factors, including the nutritional content and preparation of the food served by portfolio companies, their business practices, and the manner in which they source the commodities used. Consumer acceptance of the offerings of portfolio companies is subject to change for a variety of reasons. For example, nutritional, health and other scientific studies and conclusions, which constantly evolve and often have contradictory implications, drive popular opinion, litigation, and regulation (including initiatives intended to drive consumer behavior) in ways that affect the restaurant industry or perceptions of portfolio companies' brands and could be material to their business. If portfolio companies are unsuccessful in addressing such adverse perceptions, their brand and a Fund's financial results may suffer.

**Health, Safety, and Environmental Risks across the Restaurant Industry:** Portfolio companies may be subject to strict health and safety laws and regulations which could change in the future in a manner that will adversely affect portfolio companies. Breaches of these laws can occur, and expose portfolio companies to fines, penalties and/or prosecution by governmental authorities for failure to comply with these laws, including, in some instances, the temporary or permanent closure of one or more locations operated by a portfolio company. This could adversely affect portfolio companies' future revenues, profits and financial position and their ability to generate new business.

Portfolio companies may also be subject to laws and regulations governing activities that may have adverse environmental effects. In many jurisdictions, these laws are complex, change frequently

and tend to become more stringent over time. Environmental laws and regulations may also impose obligations to investigate and remediate, or pay for the investigation or remediation of, environmental contamination, and/or pay compensation for related damages.

**Risks of Realization of Investments:** Fund investments will generally be private, illiquid securities. There is a significant risk that a Fund may be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy, such as a public offering of securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

**Financial Market Fluctuations:** General fluctuations in the market prices of securities may affect the value of the investments held by a Fund. Instability in the securities markets may also increase the risks inherent in a Fund's investments. During the term of a Fund, there may be periods during which valuations in the public markets are excessive or undervalued, thereby limiting opportunities to exit private investments by selling them or taking them public. To the extent such periods of excessive valuations or under-valuations are prolonged, a Fund's ability to exit investments in the public markets may be constrained.

**Dilution from Subsequent Closings:** Investors subscribing for Fund interests after the initial closing will participate in existing investments of a Fund, diluting the interest of existing limited partners therein.

**Foreign Investments:** The Funds may make foreign investments. Such investments involve a number of additional risks, including (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation or war; (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of restrictions on capital movements, which would make it difficult or impossible to exchange or repatriate foreign currency; and (iv) the risk of regulations which might prevent implementation of cost cutting or other operational improvements. In addition, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries may also impose taxes on the Fund or its partners.

**Recourse to Fund Assets:** Fund assets, including any investment made by a Fund and any capital held by a Fund, are available to satisfy all liabilities and other obligations of the Fund. If a Fund became subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

**Dependence on the General Partner and Key Personnel:** The General Partner's ability to manage successfully a Fund's affairs depends on the principals of the General Partner and its affiliates. The loss of any one of these individuals could have a significant adverse impact on the business of a Fund. There can be no assurance that these individuals will remain in the employ of General Partner or its affiliates, or otherwise continue to be able to carry on their current duties throughout the term of a Fund.

**No Market for Partnership Interests:** Fund interests have not been registered under the Securities Act, the securities laws of any state, or the securities laws of any other jurisdiction and, therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or unless an exemption from registration is available. It is not contemplated that registration under the Securities Act or other securities laws will ever be effected. There is no public market for Fund interests, and one is not expected to develop. An investor will be restricted from transferring, pledging, or otherwise encumbering its Fund interests without the prior written consent of the General Partner, which may be withheld. Voluntary withdrawals of Fund interests are not permitted.

**General Tax Risks:** In judging whether to invest in a Fund, a prospective investor should consider the tax consequences thereof which include, among others, (a) the possibility that a Fund may generate taxable income to the partners in an amount greater than cash available for distribution and (b) the possibility of adverse changes in the relevant tax laws.

If the Internal Revenue Service determines that a Fund should be classified as an association taxable as a corporation, then significant adverse tax consequences would result to the limited partners.

A Fund does not intend to apply for a ruling from the Internal Revenue Service that it be classified as a partnership for federal income tax purposes or that the limited partners of the Fund will be treated as partners for federal income tax purposes.

The federal income tax considerations relating to an investment in a Fund are very complex. Each investor is strongly urged to consult its own independent tax counsel regarding the possible federal, state, local and non-U.S. income and other tax consequences to such investor based on such investor's particular circumstances.

**Tax Risks to Tax-exempt Investor:** The Funds may make investments and engage in activities that generate income that is effectively connected income with a trade or business in the U.S. ("ECI") that could cause an investor that is not a U.S. person (and/or grantor or owner thereof, as applicable): (1) to be considered engaged in a U.S. trade or business, (2) to be subject to U.S. federal income tax (and in certain case, additional branch profits tax) on its distributive share of ECI realized by the Fund and U.S. federal income tax return filing requirements and (3) to be subject to U.S. state and local tax return filing and tax payment obligations. Each investor that is not a U.S. person, is strongly urged to consult its own independent tax counsel regarding the possible federal, state, local and non-U.S. income and other tax consequences to such investor based on such investor's particular circumstances.

**Other Regulatory Concerns:** The General Partner believes that the nature of the Funds will not subject it to the registration requirements of the Investment Company Act, in reliance upon certain exemptions thereunder. However, there can be no assurance that the Funds will not be subject to the registration requirements of the Investment Company Act in the future. The performance of Fund investment portfolios could be materially adversely affected, and risks involved in financing developing companies could substantially increase, if the Funds or the General Partner becomes subject to the compliance requirements of the Investment Company Act. Neither the Funds nor

their counsel can assure investors that, under certain conditions, changing circumstances or changes in the law, the Funds may not become subject to the Investment Company Act or similar law in the future.

**Securities Act:** The offer and sale of Fund interests have not been and will not be registered under the Securities Act, or the securities laws of any U.S. state, and Fund interests have not been and are not expected to be registered under the securities laws of any other country or any other jurisdiction. The interests will be offered and sold outside of the United States to non-U.S. persons in off-shore transactions pursuant to Regulation S under the Securities Act, and in the United States in a private placement to a limited number of investors in reliance on an exemption provided by Section 4(a)(2) of the Securities Act and/or Regulation D, promulgated thereunder. Unless approved by the General Partner, each potential investor must be an “accredited investor” (as defined in Regulation D promulgated under the Securities Act). In order to establish compliance with such exemptions, each investor must furnish certain information to the applicable Fund and represent, among other customary private placement representations, that it is acquiring interests for investment purposes and not with a view towards resale or distribution.

**Anti-Money Laundering Laws:** The Funds, the General Partner and the Adviser are required to comply with any applicable anti-money laundering regulations and policies (whether or not with force of law) (the “Anti-Money Laundering Laws”) which may apply to them, and it is their policy to interpret such laws broadly in favor of disclosure. The Funds are required to obtain certain assurances from each limited partner, disclose information pertaining to a Fund and/or each limited partner to governmental, regulatory, or other authorities or to financial intermediaries or others or take other actions in the future pursuant to Anti-Money Laundering Laws that the General Partner or Adviser deems necessary. In addition, if the General Partner determines that a limited partner is not an acceptable investor under any Anti-Money Laundering Law, the General Partner may freeze the limited partner’s distributions and Fund interests and take such other actions as may be permitted under the Offering Documents or necessary under any applicable law.

#### Conflicts of Interest – Private Equity

Because of the various activities engaged in by the General Partner and its affiliates, certain potential or actual conflicts of interest exist. Moreover, Fund portfolio companies may include investments which relate to those held by other Funds affiliated with the General Partner or its affiliates, including through a parallel fund, and such interests may not always be the same in terms of pricing or other strategic issues; other relationships of members of the General Partner, such as board seats or personal investments, could also result in potential conflicts of interest. There can be no assurance that any potential or actual conflicts will be resolved in a manner favorable to a Fund.

**Economic Interest of General Partner:** Because the percentage of profits allocated to the General Partner will exceed the capital contribution percentage of the General Partner, and because certain net losses otherwise allocable to the General Partner will be specially allocated to all the partners (up to the point that the limited partners’ capital account balances reach zero), the General Partner may have an incentive to make investments that are riskier or more speculative than if the General Partner received allocations on a basis identical to that of the limited partners. In addition, the

General Partner may determine that the allocation of a particular investment opportunity is not in a Fund's best interest and participate in such opportunity through a parallel fund.

**Lack of Separate Legal Counsel:** Legal counsel for the General Partner and the Funds does not represent the limited partners in connection with matters relating to a Fund or its investments. It is not anticipated that, in connection with the organization or operation of a Fund, the General Partner or the Adviser will have a Fund engage counsel separate from counsel to the General Partner or the Adviser. Furthermore, in the event a conflict of interest or dispute arises between the General Partner and the Adviser, on the one hand, and a Fund and its limited partners, on the other hand, it will be accepted that counsel to the General Partner and the Adviser is not counsel to a Fund or its limited partners, notwithstanding the fact that, in certain cases, such counsel's fees are paid through or by the Fund (and therefore in effect by the limited partners).

Documents relating to the Funds will be detailed and often technical in nature. Legal counsel for the General Partner and the Adviser represents the interests of the Fund, the General Partner and the Adviser (and not the limited partners) in connection with the formation of a Fund and the offering of interests therein, and will not represent the interests of the limited partners in the organization and operation of the Fund. Accordingly, each limited partner is advised to consult with its own legal counsel before investing in a Fund.

**Activities of the Principals:** The principals of the General Partner and Adviser may have other business interests; for example, Fund personnel may serve as members of the boards of directors of companies other than portfolio companies. Although the principals are committed to the success of a given Fund, there can be no assurance that the affairs of a given Fund will receive the undivided attention of the principals at all times and there is no requirement that such persons spend a particular amount of their time or efforts devoted to a given Fund.

**Co-Investments:** A Fund may offer co-investment opportunities alongside the Fund in its sole discretion. A Fund is not expected to offer co-investments with respect to all Fund investments and may allocate any such opportunities in its sole discretion, including for example, on the basis of the size of investor commitments to a Fund and to seed investors in such Fund. Accordingly, certain limited partners may have co-investment rights that are not available to other limited partners. Certain limited partners with co-investment rights may also have additional rights, not available to other limited partners, to due diligence reports and other informational materials regarding potential co-investment opportunities. The allocation of co-investment opportunities may involve a benefit to the General Partner and its affiliates, including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other funds.

In addition to co-investments through a parallel fund, a Fund may co-invest with third parties through partnerships, joint ventures, or other entities. These investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. A Fund may, in certain circumstances, also be liable for actions of its third party co-venturer or partner. In addition, a Fund's ability to exercise control or significant

influence in connection with these cooperative arrangements may be limited and will depend on the nature of the relevant documentation.

**Potential Costs Associated with Indemnification:** The General Partner, the Adviser and their respective members, agents, representatives, affiliates, and personnel will be entitled to indemnification from a Fund, except in certain circumstances. The assets of a Fund will be available to satisfy these indemnification obligations, and the limited partners may be required to return distributions to satisfy such obligations. Such obligations will survive dissolution of a Fund.

**Consequences of Default by a Limited Partner:** In the event that a limited partner fails to fund any of its capital contributions when required, such limited partner's interests may be reduced, and such limited partner may be precluded from further investment in such Fund.

**Uncertainty of Financial Projections:** The General Partner will generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections represent estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

**Contingent Liabilities on Disposition of Investments:** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves or escrow accounts. In that regard, limited partners may be required to return amounts distributed to them to fund the Fund obligations, including indemnity obligations.

**Additional Capital:** Portfolio companies can be expected to require additional financing to satisfy their working capital requirements. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each round of financing (whether from a Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major valuation milestone. If the funds provided are not sufficient, such portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. In addition, a Fund may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned or to protect the Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of a Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

**Diverse Membership:** The limited partners are expected to include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the General Partner that may be more beneficial for one type of limited partner than for another, including limited partners affiliated with the General Partner. In addition, a Fund may make investments that may have a negative impact on related investments made by the limited partners in separate transactions. In selecting investments appropriate for a Fund, the General Partner will consider the investment objectives of the Fund as a whole, not the investment objectives of any limited partner individually.

**General Partner Carried Interest:** The General Partner will receive a carried interest based on distributions made to the partners of a Fund. The existence of the General Partner's carried interest, including the increased amount of such carried interest upon a return of a certain percentage of the invested capital of the limited partners, may create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such carried interest, notwithstanding the investment by the General Partner together with its related parties, in a Fund and any related parallel entities.

**Material Nonpublic Information:** By reason of their responsibilities in connection with their other activities, certain Fund personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. A Fund will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

**Disclosure of Information:** The limited partners may include entities that are subject to state public records or similar laws that may compel public disclosure of confidential information regarding a Fund, its investments, and its investors. There can be no assurance that such information will not be disclosed either publicly, or to regulators, law enforcement or otherwise, including to comply with regulations or policies to which a Fund, the General Partner, the Adviser, portfolio companies or services providers to any of them may be or become subject.

**Side Agreements:** In accordance with common industry practice, the General Partner may enter into one or more "side letters" or similar agreements with certain limited partners pursuant to which the General Partner grants to such limited partners specific rights, benefits or privileges that are not made available to limited partners generally. Such agreements will be disclosed only to those actual or potential limited partners that have separately negotiated with the General Partner for the right to review such agreements.

### Risks – Real Estate

**Economic Conditions:** Real property investments are subject to varying degrees of risk. Real estate investment values are affected by a number of factors, including changes in the general national or international economic climate, local conditions (such as oversupply of space or reduction in the demand for space), the quality of management, competition based on rental rates, attractiveness and location of the properties, population trends, neighborhood values, community conditions, local employment conditions, financial condition of tenants, quality of maintenance,

insurance and risk management services, risks due to dependence on cash flow, changes in operating costs, natural disasters, uninsured losses and other factors which are beyond the control of, or not foreseen by, the General Partner. Real estate investment values are also affected by such factors as governmental regulations, interest rate levels, the availability of financing and potential liability under changing laws. Certain expenses related to real estate investments and its ownership tend to increase over time and are largely beyond the control of the owner, including property taxes, utility and energy costs, maintenance costs and insurance. There can be no assurance of profitable operations because the cost of owning and operating the properties may exceed the income produced.

**Failure to Generate Sufficient Cash Flows from Operations May Reduce Distributions:** A Fund intends to rely solely on cash flow from operations to make distributions to the partners until the investment properties held by the Fund are ultimately sold (or, potentially, refinanced). Cash flow from a Fund depends on the amount of revenue generated and expenses incurred in operating the investment properties. The revenue generated and expenses incurred in operating the investment properties depends on many factors, some of which are beyond the Fund's or the General Partner's control. For instance, rents from the investment properties may not increase as expected. If the investment properties do not generate revenue sufficient to meet operating expenses, debt service and capital expenditures, the Fund's cash flows and ability to make distributions will be adversely affected.

**Volatility in Sales Market:** The price that a Fund will be able to obtain when the General Partner determines to sell or otherwise dispose of any of the investment properties will depend on many factors that are presently unknown, including the operating history, tax treatment of real estate investments, demographic trends in the area and available financing.

**The Due Diligence of the Investment Properties Is Limited in Scope, Including with Respect to Environmental Issues:** The General Partner will undertake a due diligence review process regarding the investment properties in accordance with standard practices and procedures. Due diligence reviews are not exhaustive by their nature and rely heavily on investigations by third parties and reviews of records of other parties including governmental agencies. There can be no assurances that such investigations will be properly conducted or that such investigations and records will reveal all liabilities and risks that could have a material adverse effect on the investment properties. Among other things, this due diligence review could fail to uncover environmental issues relating to the investment properties or could not properly assess the risks associated with existing conditions. Liability for such matters could be imposed on a Fund's subsidiaries in certain circumstances, even if they were not responsible for, and had no knowledge of, such environmental conditions.

**Limited Representations and Warranties:** A Fund may acquire properties with only limited or in some cases, no representations, and warranties from the sellers regarding the condition of the properties, the presence of building defects, natural hazards, nuisances or hazardous substances, or other matters affecting the use or ownership of the properties. As a result, if defects in a property or other matters adversely affecting the property are discovered, a Fund may not be able to pursue a claim for damages against the original sellers of the property. The extent of damages that a Fund



may incur as a result of such matters cannot be predicted, but potentially could result in a significant adverse effect on the value of a Fund's assets.

**Effect of Market Conditions on Holding Periods:** The determination of when a particular property should be sold will be made by the General Partner in its sole discretion and consideration of relevant factors, including existing economic conditions, real estate, and capital market conditions. While the General Partner expects that the Fund will sell its properties for cash, market conditions may require the Fund to carry back financing or other indebtedness in lieu of immediate total cash payment on the sale price of a property. Depending on market conditions at the time when a property is liquidated, the terms of repayment of any such debt could be disadvantageous to the Fund.

**Delays:** Any delays encountered by a Fund in the selection, acquisition, renovation, and enhancement of properties could adversely affect investor returns. The Fund may not be able to obtain permits, complete the work or obtain third party or governmental approvals necessary to realize desired returns on portfolio investments.

**Funds May Suffer Losses That Are Not Covered by Insurance:** If a Fund suffers losses that are not covered by insurance or that are in excess of insurance coverage, the Fund could lose invested capital and anticipated profits. In addition, if the insurance market changes, or the Fund makes claims on its insurance, among other factors affecting insurance rates, the Fund may not be able to renew or place new insurance on acceptable terms, if at all. Failure to carry appropriate insurance could significantly increase the Fund's liability in the event of torts or other actionable events occurring on the investment properties that affect tenants or third parties thereon, or in the event of damage to the investment properties.

**Unavailability of Funds for Necessary Capital Improvements:** In order to attract tenants, a Fund may be required to expend funds for capital improvements. In addition, the Fund may require substantial funds to renovate the investment properties in order to sell them, upgrade them or reposition them in the market. If there are insufficient capital reserves, financing from other sources will have to be obtained. There can be no assurances that sufficient financing will be available or, if available, will be available on economically feasible terms or on acceptable terms. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing will increase interest expense, therefore, the Fund's financial condition and ability to make cash distributions may be adversely affected.

**Valuations and Appraisals:** While a Fund will be audited on an annual basis, there is no requirement in Offering Documents for the General Partner to have a third-party valuation or appraisal of any of the Fund's assets. Accordingly, the General Partner's determination of the value of the Fund's assets may be a subjective analysis which provides no more than the General Partner's estimate of value. Valuations and appraisals may result in adjustments of the Fund's gross and net asset values. Accordingly, there can be no assurance that the Fund's gross or net asset values, as calculated based upon such valuations and appraisals, will be accurate on any given date, nor can there be any assurance that the sale of any property owned by the Fund would be at a price equivalent to the last estimated or appraised value of such property.

**Past Performance:** The investment track record of NRD Capital and its affiliates and their respective pooled investment vehicles is based on investments made at different times, under different economic circumstances, and in different assets, than any of the investments to be completed by a Fund. Past performance of NRD Capital should not be relied upon to predict a given Fund's performance.

**Determination of price for the Interests:** A Fund may have been recently formed and has no operating history. There is presently no market, public or private, for Fund interests. The offering price of the interests has been arbitrarily determined by the General Partner. The offering price of the interests is no indication of their value or the value of the Fund itself. No assurance is or can be given that the interests, if transferable, could be sold for the offering price or for any amount.

**Lack of Prior Operating History:** While the principals of NRD Capital have prior experience in real estate investing, each new Fund and the General Partner are newly formed entities with no prior operating history and may be unable to successfully operate the Fund's businesses or achieve its investment objectives. The past performance of other real estate investment programs sponsored by NRD Capital and its affiliates, or in which any of the principals of NRD Capital have been involved, may not be indicative of the performance a given Fund may achieve. At various points through the investment period, a Fund may have no income, cash flow, funds from operations or funds from which it can make distributions. A Fund may not be able to conduct its business as planned and/or successfully carry out its business as planned.

**Inability to Predict Availability of Cash for Distribution:** The General Partner will determine the amount and timing of distributions, which are dependent on a Fund receiving distributions from its subsidiaries. In making this determination, the General Partner will consider relevant factors, including the amount of cash available for distribution, capital expenditure and reserve requirements, re-investment opportunities and general operational requirements. There can be no assurances as to how long it may take to generate sufficient available cash flow to fund distributions, or that sufficient cash will be available to make distributions. A Fund may borrow funds, return capital, or sell assets to make distributions. With no prior operations, the Fund cannot predict the amount of distributions a partner may receive, and the Fund may be unable to pay, maintain or increase distributions over time.

**Dependence on all Partners Meeting Capital Calls:** Failure of a partner to meet a capital call within the required time period will constitute a default by such partner and will subject that partner to the penalties called for under the Offering Documents. In addition, a Fund's ability to efficiently execute on the acquisition of investment properties depends on multiple factors, including the timeliness of each of the partners in meeting capital calls. If sufficient number of partners fail to meet a capital call, the Fund may have to default under a purchase contract for an investment property, which may cause the loss of any earnest money deposited in connection therewith and to suffer other business losses.

**Limitations on Obligations to Provide Capital:** If all capital subscribed for has been called and received by a Fund, the Fund will not be able to require the partners to invest additional capital if any of the investment properties do not perform as expected, suffer uninsured casualties or

otherwise experience adverse results and have capital needs. If the partners are unwilling to make additional capital contributions in such circumstances, the affected investment property(ies) could be lost as a result of a mortgage foreclosure, which likely would result in the loss of part or all of the Fund's investment in such investment property and adverse tax and other consequences to the partners may result.

**Illiquidity:** It is expected that a Fund's entire portfolio will consist of investment properties that are illiquid or for which a secondary market is not readily available. Liquidity refers to the ability of an asset to readily be converted into cash. Unlike publicly traded stocks and other liquid investments, it takes considerable time and effort to market and sell real estate investments. This illiquidity increases the Fund's risk that an investment will not be converted into cash within an acceptable period of time.

**Control by the General Partner:** Although all partners of a Fund will have certain rights afforded by governing law, such rights are very limited and each partner should be aware that, for all intents and purposes, control of a Fund will be vested solely in the General Partner. Except as otherwise required by governing law, the partners will have no right to participate in the management or conduct of a Fund's affairs.

**Limited Liability of the General Partner:** Pursuant to the Offering Documents of a Fund, the General Partner, its principals and its other affiliates will not be liable to the Fund or any partners for any losses, judgments, liabilities, expenses (including attorneys' fees) and amounts paid in settlement of claims unless such party's course of conduct was taken in bad faith or constituted gross negligence or willful misconduct. Thus, partners will have limited recourse against those parties. The Offering Documents also provide that a Fund will indemnify and hold harmless the General Partner, the principals and its other affiliates from and against any and all losses, judgments, liabilities, expenses (including attorneys' fees) and amounts paid in settlement of claims sustained by such party with respect to any matter for which such party is not liable to the Fund (based on the preceding sentence), or any authorized actions taken by such party on behalf of the Fund.

**Dependence on the General Partner:** A Fund is dependent on the General Partner to manage its operations. The General Partner will make all decisions with respect to the management of the Fund. The General Partner will depend on the fees and other compensation that it will receive from the Fund to conduct its operations. Any adverse changes in the financial condition of, or our relationship with, the General Partner or its affiliates could hinder their ability to successfully manage our operations.

**Reliance on Key Personnel:** A Fund will be managed exclusively by the General Partner, and the General Partner will be relying extensively on the experience, relationships, and expertise of NRD Capital's principals and team of professionals. Some of those persons will be investors in the Fund through their interests in the General Partner, and it may not be possible to replace certain key individuals should one or more of them cease to be involved with NRD Capital for any reason. The loss of the services of key personnel of NRD Capital, could have a material adverse effect on the operations of a Fund because the Fund would have a diminished capacity to obtain real estate investment opportunities, and its asset management function may suffer as well.

A Fund may contract with outside property managers or other providers, for property management services at all investment properties. A Fund's performance will depend to some extent on nonaffiliated property managers, or another provider, properly managing the investment properties. If any disruption should occur in the property managers, or another provider's, provision of property management services, adverse consequences may result to the affected investment properties and the Fund.

A Fund's future success depends upon the General Partner's and the property managers' ability to hire and retain or contract with highly skilled managerial and operational personnel. Competition for such personnel is intense, and there can be no assurances that the General Partner or the property manager will be successful in attracting and retaining such skilled personnel. If the General Partner or the property manager lose or are unable to obtain the services of key personnel, the ability to implement the Fund's investment strategies could be delayed or hindered, and the value of investments in the Fund may decline.

**Risks of Unspecified Investments:** A new Fund may not have acquired any investment properties as of the date of its Offering Documents, nor has the General Partner committed the Fund to any particular investment properties. Accordingly, prospective investors do not have information as to the identification or location of any specific properties, investment opportunities or investment terms, or the financing terms or other economic and financial data with respect to the investment properties to be acquired by a Fund, to assist them in evaluating an investment in the Fund. Partners must depend on the ability of the General Partner with respect to the identification and selection of a Fund's investment properties. Also, because a Fund's acquisition of investment properties may occur over the investment period, a Fund faces the risks of changes in long-term interest rates and adverse changes in the real estate market. There can be no assurance that any investment properties acquired by a Fund will ultimately meet the Fund's investment objectives, or that desirable investment properties can be made on financially attractive terms. Accordingly, there can be no assurance as to when the proceeds of the offering may be fully invested in suitable investment properties.

**Lack of Diversification:** A Fund will primarily invest solely in real estate. To the extent that industry suffers a systematic decline or adverse consequences for any reason, the Fund will likely face diminished results.

**Lack of Transferability and Associated Risks:** The transferability of Fund interests by partners is severely restricted by relevant securities laws and by the terms of the Offering Documents. Since the interests are not being registered, they cannot be resold readily by a partner. A Fund is not obligated to register, and will not register, the interests to permit resales. The fact of non-registration makes the interests extremely illiquid and would impair the ability of a partner or his/her estate to dispose of his/her interests in the event of a change in personal circumstances. Additionally, the Offering Documents impose certain additional restrictions on transferability of the interests, as more particularly set forth therein, including the necessity to obtain the consent of the General Partner for any transfer. Accordingly, the purchase of the interests must be considered a long-term illiquid investment acceptable only for investors who are willing and can afford to accept and bear the substantial risks of the investment for an indefinite period of time.

**Potential Losses on Dissolution and Termination of a Fund:** In the event of a dissolution or termination of a Fund, the proceeds realized from the liquidation of the assets of the Fund will be distributed among the partners, but only after the satisfaction of the claims of third-party creditors, including claims by any lenders and certain fees owed to the General Partner or its affiliates. The ability of a partner to recover all or any portion of such partner's investment under such circumstances will, accordingly, depend upon the amount of net proceeds realized from such liquidation and the amount of claims to be satisfied. A Fund cannot assure that it will recognize gains on such liquidation.

**Exculpation and Indemnification:** The offering Documents set forth the circumstances under which the General Partner, its affiliates and their directors, officers, partners, partners, employees or agents are excused from liability to the Fund and its investors for damages or losses that the Fund or such investors may incur by virtue of any such person's performance or services for the Fund. As a result, the Fund and its investors may have limited rights against these persons. In the event that a claim is made against the General Partner, its affiliates or their directors, officers, partners, partners, employees or agents, such persons may be entitled to be indemnified by the Fund, in which case the assets of the Fund could be used to indemnify such persons for amounts incurred in connection with such claim. In certain cases, previous distributions to the Fund's investors may be recalled to cover such indemnification obligations of the Fund.

**Liability for Return of Distributions:** If a Fund is otherwise unable to meet its obligations, the investors may under applicable law be obligated to return, with interest, cash distributions previously received by them to the extent such distributions are deemed to constitute a return of their capital contributions or are deemed to have been wrongfully paid to them. In addition, an investor may be liable under applicable federal and state bankruptcy laws to return a distribution made during the Fund's insolvency or within a certain time period prior thereto.

**Use of Leverage Generally:** The acquisition of the investment properties may be financed in substantial part by borrowing, which increases the exposure to loss. The use of leverage will increase the amount of funds available to a Fund for investment but will also increase the risk of loss. The use of leverage involves a high degree of financial risk and may increase the exposure of the Fund or its investment to factors such as rising interest rates or downturns in the economy. Market fluctuations may significantly decrease the availability of and increase the cost of leverage.

**Lenders' Seniority:** Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from the investment properties. In the event any investment property suffers an impairment to its value, the holders of the indebtedness must be repaid in full (including any costs of collection and other losses suffered by the lenders, and potentially default interest at a higher interest rate) before the Fund will receive any return from such investment property. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more of the investment properties may be lost (and the Fund's investment therein rendered valueless) as a result of foreclosure by the mortgagee(s). A foreclosure may also have substantial adverse tax consequences for the partners.

**Balloon Financing:** Mortgages requiring balloon payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan since the ability to repay the outstanding principal amount of a balloon loan may be dependent on the ability to obtain adequate replacement financing. There is no assurance that such replacement financing will be available on favorable terms.

**Portfolio Financings, and Potential Cross-Collateralization with non-Fund Assets:** Since a Fund may engage in portfolio level financing (i.e., loan arrangements secured by mortgages on more than one investment property), several investment properties may be cross-collateralized and subject to increased risks of loss. If a Fund agrees to recourse debt guaranteed by the Fund or to debt secured by the Fund's entire portfolio, all of the Fund's assets will be subject to additional risk of loss. In addition, if the Fund and other NRD Capital affiliates were to agree to indebtedness secured by some or all of their assets as a portfolio, the Fund would be exposed to risk of loss tied to the failure or lack of sufficient performance by real estate investments in which it has no economic interest.

**Hedging Risks:** In connection with the financing of certain investment properties, a Fund may employ hedging techniques designed to protect the Fund against adverse movement in interest rates. While such transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates or other factors may result in poorer overall performance for the Fund than if it had not entered into such hedging transactions.

**Risk That Taxable Income May Exceed Cash Distributions.** Net profits allocable to Fund partners in some years could exceed the amount of cash distributed to them in such years, resulting in the possibility that income tax liability relating to the Interests may exceed the amount of cash distributed to partners in such years. In the event of such occurrence, a partner will be required to pay the tax liability attributable to his, her or its allocable share of net profits to a Fund with funds from sources other than distributions from the Fund.

**Uncertainty and Complexity of Tax Treatment:** The federal income tax consequences arising from limited liability companies and the ownership of interests therein, whether direct or indirect, are complex and, in many cases, uncertain. Statutory provisions and administrative regulations have been interpreted inconsistently by the courts. Additionally, some statutory provisions remain to be interpreted by administrative regulations. It is possible that the Internal Revenue Service ("IRS") may successfully challenge the tax treatment accorded certain items by a Fund.

**Fund Allocations:** A Fund's Offering Documents contains complex allocations. There can be no assurance that such allocations will be respected for federal income tax purposes by the IRS. Depending on which allocations were to be disregarded, the partners' share of income, gains, losses, deductions, and credits of a Fund could be affected.

**Passive Income or Loss:** The income or loss generated by each partner as a result of an investment in a Fund will be characterized as "passive" income or loss. As such, the income or loss derived by a partner from a Fund will be grouped with other "passive" income or loss of the partner in

determining the deductibility of such loss, if any, or the extent to which other losses of the partner may be used to offset such income, if any.

**IRS Audit of Income Tax Returns:** The IRS may audit the income tax returns of a Fund and may audit the income tax returns of a partner as the result of an investment in or claimed deductions or losses from an investment in the Fund. Such deductions and losses, when taken together with other items reported on the partner's return, may prompt the IRS to examine the partner's return, both as to income and deductions relating to the Fund and as to other matters. No assurance can be given that such an audit or examination will not occur or that the partners will not incur additional liability and costs as a result of any such audit or examination.

**Actions of Tax Matters Partner:** The General Partner generally has the authority to negotiate, settle and compromise matters with the IRS relating to all partners of a Fund. The General Partner may take positions on issues or effect compromises binding on all partners which the General Partner believes are in the best interests of a Fund, but which may not be in the best interests of individual partners.

**Changes in Federal Income Tax Laws and Policies:** There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax consequences described in this offering letter will not be changed in a manner which adversely affects a Fund's partners.

**State and Local Tax Consequences:** In addition to the federal tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in a Fund. A partner's distributive share of the taxable income or tax loss of a Fund may be required to be included in determining its reportable income for state or local tax purposes in the jurisdiction in which the partner resides or in the jurisdiction in which either the partner or the Fund was organized or is doing business.

**State and Local Tax Filings:** Each partner of a Fund may have taxable income in each state in which the Fund owns property, and accordingly may have to file a tax return and pay income tax in each such state.

**Unrelated Business Taxable Income:** A Fund may engage in activities, including the direct or indirect use of leverage, that would ordinarily generate UBTI for a tax-exempt entity. Prospective tax-exempt investors should consult their own tax counsel regarding the effect of any UBTI.

**U.S. Tax Exposure for Foreign Investors:** A Fund may engage in activities that constitute a United States trade or business, while a Fund expects to recognize gains from the sale of interests in U.S. real property. Accordingly, a foreign investor in a Fund generally will be subject to U.S. withholding taxes, U.S. tax filing and payment obligations, and in certain cases a U.S. "branch profits" as a result of such investor's investment in a Fund. Prospective foreign investors should consult their own tax counsel regarding the U.S. tax implications of investing in a Fund.

Conflicts of Interest – Real Estate

Conflicts may arise in instances where the interests of the General Partner and its affiliates may conflict with the interests of a Fund and the partners. NRD Capital and its principals have ownership interests and management responsibilities in other businesses besides the General Partner, including entities which currently own and operate other real estate investments. Such other business activities will continue to exist, and may increase during the life of a Fund, including real estate acquisition, financing, and management of real estate investments not part of the Fund, some of which may be competitive with the Fund. Key personnel of the General Partner will devote time to the management and operations of such activities, which may create conflicts in the allocation of management resources. During times of intense activity in other programs and ventures, key personnel may devote less time and fewer resources to the Fund's business than are necessary or appropriate.

The General Partner, NRD Capital and its affiliates may have differing interests or economic goals than the partners of a Fund. NRD Capital and its affiliates may receive compensation for services rendered in connection with the organization, acquisition, development, operation, management and disposition of investment properties in which a Fund will invest, including acquisition fees, investment management fees and other customary amounts payable to or earned by promoters and affiliates of promoters of real estate investments, together with and in addition to carried interests or promoter distributions of cash flow and capital proceeds.

A Fund will not share in any of these fees, interests, or distributions payable to NRD Capital or its affiliates with respect to any investment property. The existence of such fees and the carried interest may create an incentive for the General Partner to make riskier or more speculative investments on behalf of a Fund than would otherwise be the case.

In addition, prospective investors should recognize that while the General Partner, during the investment period, will in its good faith judgment present investment opportunities to a Fund as more specifically set forth in the Offering Documents, neither the General Partner nor NRD Capital or their affiliates will have any obligation to make available to a Fund any particular investment in any particular real estate investment, and that neither NRD Capital nor its affiliates will have any obligation to refrain from soliciting equity capital from sources other than a Fund after the investment period. The Offering Documents provide that a Fund's partners specifically waive any and all causes of action against the General Partner, NRD Capital, and their respective affiliates, owners, officers, directors and employees regarding these matters and the potential conflicts arising there from.

NRD Capital and its affiliates may directly or indirectly acquire, own, operate, manage, and dispose of properties in the vicinity of investment properties owned by subsidiaries of a Fund. It is possible that the value of the former properties may be enhanced by their proximity to the investment properties owned by a Fund, or that such properties may be in competition for prospective tenants or prospective purchasers with investment properties owned by the Fund.

The investment properties acquired by a Fund may be sold as part of a large portfolio, including with other properties acquired by affiliates of NRD Capital outside of the Fund. The General Partner will attempt to resolve any conflicts of interest between the Fund and others with respect



to these matters by exercising the good faith required of fiduciaries. The General Partner believes that it will generally be able to resolve such conflicts on an equitable basis.

The Funds, the General Partner and NRD Capital may be all represented by one counsel, which counsel is not representing the other partners of a given Fund. Prospective investors should seek individual counsel if they so desire. The above discussion only addresses certain potential conflicts of interest, and others may exist or come to exist during a Fund's period of investment.

- C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

See Item 8 B above for information about material risks.

#### **ITEM 9: DISCIPLINARY INFORMATION**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Like other registered investment advisers, NRD Capital is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of NRD Capital or the integrity of its management. NRD Capital is not aware of any legal or disciplinary events that would be material to an investor's or a prospective investor's evaluation of NRD Capital or the integrity of its management.

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

- A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither NRD Capital nor any management person is registered or has an application pending to register, as a securities broker-dealer or registered representative of a broker-dealer.

- B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither NRD Capital nor any management person is registered or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with defined related persons. Identify the related person and if the relationship or arrangement**

**creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

#### Portfolio Company Involvement

As noted throughout this Brochure, the Adviser and its advisory affiliates or persons controlled by or under common control with the Adviser (its “related persons”) are, directly or indirectly, managing members of the General Partner of each Fund. Certain advisory personnel spend a substantial portion of their business time on one or more Funds as required under the terms of each Fund’s Offering Documents. Principals, employees, and affiliate entities of the Adviser often become actively involved in portfolio company operations throughout the investment cycle.

A related person’s involvement with portfolio company operations may introduce a conflict of interest between the fiduciary duty he or she owes as a member of a portfolio company board and the fiduciary duty he or she owes to a Fund. To meet its fiduciary duty, the Adviser will take such action as may be necessary to reduce, and where possible, eliminate any such conflict of interest. Such action may include refraining from voting on certain portfolio company matters or resigning its portfolio company board or executive position. While the risk of these conflicts cannot be eliminated, the Adviser has implemented policies and procedures to address certain of these conflict situations.

The Adviser has entered into and may enter into additional agreements or side letters with certain prospective or existing investors whereby such investors negotiate certain terms and conditions in addition to those set forth in a Fund’s Offering Documents. The modifications are solely at the discretion of a Fund and may, among other things, be based on the size of the investor’s investment in a Fund or other similar commitment by an investor. The other limited partners will have no recourse against a Fund or the Adviser in the event that certain limited partners receive additional or different rights or terms as a result of such arrangements.

**D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices, and discuss the material conflicts of interest these practices create and how you address them.**

NRD Capital does not select other investment advisers on behalf of Clients.

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

**A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

NRD Capital values investor trust and places its fiduciary responsibilities to the Funds and investors first and foremost in all aspects of its business. In accordance with Rule 204A-1 under the Advisers Act, NRD Capital has adopted a code of ethics (the “Code of Ethics”). The Code of

Ethics outlines a high standard of business conduct and reinforces each employee's role in discharging the fiduciary duty to the Funds and investors. The Code of Ethics sets forth standards of conduct expected of NRD Capital's employees, reflects our fiduciary duties, and addresses conflicts that arise from personal trading, gifts and entertainment, and outside business activities. NRD Capital is committed to maintaining the confidentiality, integrity, and security of current and prospective investors' nonpublic personal information and adheres to high standards to safeguard such information. NRD Capital's Code of Ethics includes, among other things, the following minimum standards for NRD Capital and its employees:

- ◆ A requirement for employees to comply with applicable federal securities laws;
- ◆ A requirement for employees to receive pre-approval for and/or report, and NRD Capital to review, their personal securities transactions and holdings;
- ◆ A requirement for employees to report any violations of NRD Capital's Code of Ethics promptly to the Chief Compliance Officer; and
- ◆ A requirement that NRD Capital provide each employee a copy of the Code of Ethics and any amendments, and a requirement that employees provide NRD Capital with a written acknowledgment of their receipt of the Code of Ethics and any amendments.

A copy of NRD Capital's Code of Ethics is available to any current or prospective investor by contacting Jane Shahmanesh, Chief Compliance Officer, at (917) 885-2596 or [jane@adherencellc.com](mailto:jane@adherencellc.com).

**B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice, and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

In most cases, the General Partner of a Fund holds a direct interest in such Fund and, therefore, holds indirect beneficial interests in each of the investments owned by a Fund and will share in any profits and losses generated by Fund investments. As a result of carried interest, the General Partner of a Fund may share disproportionately in profits.

NRD Capital and its affiliated General Partners will always endeavor to act in the best interest of a Fund; however, investors should be aware that General Partners' receipt of compensation from a Fund creates a conflict of interest with respect to such transactions. These and other operating relationships have the potential for creating conflicts of interest. Where actual or potential conflicts of interest between NRD Capital, affiliates, related persons, and a Fund are identified, procedures contained in the Offering Documents of a Fund and/or NRD Capital's compliance policies and procedures provide for resolution.

In the case of all conflicts of interest, the determination as to which factors are relevant, and the resolution of such conflicts, will be made using NRD Capital's best judgment, but in its sole discretion. In resolving conflicts, NRD Capital considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term

courses of dealing. Many important conflicts of interest generally will be disclosed in and resolved by defined procedures, restrictions or other provisions contained in a Fund's Offering Documents.

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options, or futures) that you or a related person recommends to clients, describe your practice, and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

See Item 11B. above.

- D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

See Item 11B. above.

## **ITEM 12: BROKERAGE PRACTICES**

- A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

Typically, the purchase or sale of a security for a Fund will involve a privately negotiated transaction with the issuer, prospective seller, or prospective purchaser(s) of the security, and generally will not involve the services of a traditional broker or dealer as is customary in the transaction of registered securities. The Adviser seeks to negotiate and execute transactions in compliance with the Offering Documents of a Fund, its fiduciary duty to the Fund and investors, and the Adviser's compliance policies and procedures.

With regard to the purchase and sale of certain portfolio companies however, it may be necessary for the Adviser to engage a broker, dealer, investment bank, or other intermediary to ensure that a transaction is closed in a manner most advantageous to a Fund. When executing portfolio transactions using an intermediary, the Adviser, through the General Partner, seeks the best overall execution terms available to close the deal expeditiously and on terms most favorable to a Fund.

In assessing the best overall terms available for a transaction, the full range and quality of an intermediary's services are considered, including execution capability, experience in private equity transactions, network of contacts and relationships, research services (such as reports and analyses of markets, industries, companies, and economic trends), commission rates (or their equivalents), reputation and integrity, financial responsibility, and responsiveness. Intermediary arrangements are guided by contractual agreements in part to protect the integrity and confidentiality of Fund investment activity and to seek assurances as to the proper qualifications of such intermediaries.

- 1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in**

**connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.**

The Adviser does not engage in soft dollar arrangements, which are a means of paying brokerage firms for their services through commission revenue rather than by direct hard dollar payments. However, the Adviser may receive general unsolicited research from certain brokers or investment banks specializing in private equity investments. The Adviser has no contractual obligation to compensate or do business with these research providers.

**2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

NRD Capital does not receive client referrals from unaffiliated counterparties, or third parties utilized to arrange Fund investments.

**3. Directed Brokerage. If you routinely recommend, request, or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. If you permit a client to direct brokerage, describe your practice.**

The Adviser does not permit the direction of any Fund transactions to any broker or intermediary by an investor, and therefore directed brokerage does not apply to its business.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Allocation and Aggregation of Transactions

The Adviser follows an allocation and aggregation policy under which the Adviser and affiliate entities may allocate and aggregate transactions on a fair and equitable basis, consistent with the Offering Documents of a Fund, its policies and procedures, and fiduciary duty. Aggregated portfolio investments are generally allocated among a participating Fund and other co-investment vehicles on a *pro rata* basis, with exceptions based on applicable investment objectives, strategies, and other guidelines. When the investment period of a Fund has expired, with the exception of certain follow-on investments to existing portfolio company positions and investments committed to prior to the end of the investment period, a Fund will generally not engage in new acquisition transactions. The Adviser’s investment discretion to allocate investment opportunities is exercised according to the Offering Documents of applicable Funds.

The Adviser directs the allocation of capital commitments for all Funds pursuant to its allocation and aggregation policy, under which it considers certain criteria, including, among others: (i) Fund objectives; (ii) Fund size and available investment capital; (iii) Fund diversification guidelines; (iv) size and scope of the investment opportunity; and (v) current and anticipated market

conditions. If an investment opportunity is suitable for more than one Fund, the Adviser and its affiliated entities will allocate the investment opportunity between Funds in a manner that, over time, is fair and equitable to each Fund, considering all relevant facts and circumstances.

#### Conflicts of Interest - Allocation of Investment Opportunities

As noted above, the Adviser maintains an allocation policy to determine how investment opportunities are to be allocated when more than one Fund is actively seeking investments. A conflict of interest may arise relative to the allocation of investment opportunities under these conditions. For example, if a successor Fund is considering a portfolio company investment during the investment period of a predecessor Fund, or if an investment is to be made by a successor Fund in a security that constitutes a follow-on investment for the predecessor Fund, a conflict of interest may arise. A conflict may also arise when different Funds with different investment objectives have common investment interests in a particular prospective portfolio company or group of companies. Except as required by the relevant Offering Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle.

#### Portfolio Valuation

In the absence of a perpetual market for such interests, the Adviser determines a value for each underlying portfolio company or Fund asset based on the periodic application of its internal valuation policies and methodologies. As a fiduciary to the Funds and investors, the Adviser has adopted formal valuation policies and procedures designed such that portfolio holdings reflect current, fair, and accurate asset valuations. Valuation policy attributes include but are not limited to: (i) detailed written procedures; (ii) quarterly reviews of Fund portfolio valuations carried out by the Adviser's Investment Committee; (iii) periodic valuation policy review; and (iv) external auditor review of written valuation policies and records prior to issuance of annual Fund financial statements.

Fund portfolio valuation represents a conflict of interest for NRD Capital. The exercise of discretion in valuation by the Adviser may give rise to conflicts of interest, as fees, carried interest, and performance returns are calculated based, in part, on these valuations. Valuations are inherently subjective as there is no public exchange for a Fund's underlying assets or for the trading of limited partnership interests in a Fund. The process of valuing assets 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 assets and may differ from the prices at which such assets may ultimately be sold. The Adviser cannot fully mitigate the conflicts and risks inherent in the valuation process but manages these conflicts and risks through its investment process and compliance program.

#### Cross Transactions

The Adviser and its affiliated entities do not generally engage in cross transactions where a portfolio holding is transferred between Funds or co-investors or co-investment vehicles. However, in the future, such transactions could 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 owned 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 transactions are entered into represent what would ultimately be the underlying investment's fair value. If it becomes necessary in the future to engage in cross transactions, the Adviser 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. Approval may be granted provided the transfer is consistent with the Adviser's fiduciary obligations to each Fund sharing in the cross transaction, applicable Fund Offering Documents, and relevant securities statutes, including the Advisers Act.

### Co-Investments

As noted above in *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*, the General Partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more limited partners and/or other persons, in each case on terms to be determined by the General Partner in its sole discretion. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the General Partner in its sole discretion, may not be in the best interests of a Fund or any individual limited partner.

In exercising its sole discretion in connection with such co-investment opportunities, the General Partner may consider some or all of a wide range of factors, including, without limitation, relevant industry knowledge, prior co-investing experience, expressed interest in co-investment opportunities, likelihood that an investor may invest in a future fund sponsored by the General Partner or its affiliates, speed and certainty of closing, prior, current and potential future commitment levels, and tax, regulatory and securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status). A Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take action contrary to the investment objectives of a Fund.

There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the General Partner 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 limited partners. When and to the extent that employees and related persons of the General Partner make capital investments in or alongside a Fund, the General Partner is subject to conflicting interests in connection with these investments. The General Partner's allocation of co-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.

### **ITEM 13: REVIEW OF ACCOUNTS**

- A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

#### Review of Fund Portfolios

All investments are carefully reviewed and approved by the Fund's Investment Committee as described in applicable Governing Fund Documents. The Investment Committee must reach consensus prior to committing Fund capital or exiting a Fund investment. The Adviser's investment professionals actively monitor and review each Fund's investment portfolio on a continuous basis. The investment team includes the Principals and other investment professionals of the Adviser and its affiliated entities. Investments are reviewed in light of each Fund's stated investment objectives and guidelines as set forth in the Offering Documents of each Fund. During the review process, investment professionals analyze existing portfolio company positions to identify issues early on, take any necessary actions, and monitor portfolio company performance relative to the original investment thesis.

Fund investments are private, illiquid, and long term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. The Adviser's investment professionals meet regularly to review ongoing monitoring activities and to evaluate potential new platform investments, add-on acquisitions, and exit opportunities. Members of the Investment Committee also meet once per quarter to review and approve quarterly carrying values of each Fund's respective investments.

- B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

See 13.A. above.

- C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

The General Partner provides periodic financial reports and a summary of investments for Fund investors to monitor their investments. The Adviser distributes written reports to investors as required by the Offering Documents of each Fund. Written reports generally convey to Fund investors: (i) audited financial statements and other information on an annual basis in accordance with generally accepted accounting principles (within 120 days after a Fund's fiscal year end as required by the custody rule or alternatively, within 90 days after a Fund's fiscal year end for certain funds per Offering Document requirements); (ii) unaudited summary financial and other information on a quarterly basis; (iii) annual tax information necessary for each partner's U.S. tax returns; and (iv) quarterly descriptive investment information for each portfolio company or Fund



asset. Fund investors may also be invited to attend periodic investor meetings during which general information is provided.

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

- A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

The Adviser, either directly or indirectly through its affiliates acting as General Partner to a Fund, will receive compensation from certain portfolio companies in connection with consulting services provided to such companies in the ordinary course of business. The Adviser and its affiliate entities may also receive fees and other compensation, such as breakup fees, from transactions not consummated by a Fund in connection with a Fund's proposed investment in such transactions. As described more fully in a Fund's Offering Documents, such fees and other compensation may or may not be shared, in part or in whole, with the limited partner investors through reductions or off-sets against Management Fees, where applicable, that would otherwise be payable by them.

- B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

The Adviser has not and does not engage the services of a placement agent to distribute Fund interests to limited partner investors.

#### **ITEM 15: CUSTODY**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Custody occurs when an adviser or related person directly or indirectly holds client funds or securities or has the ability to gain possession of them. The Adviser is deemed to have custody of the assets of the Funds within the meaning of the Advisers Act due to its affiliation with the General Partner of each Fund. The Funds advised by the Adviser are privately offered limited partnerships and are subject to an annual audit by a Public Company Accounting Oversight Board ("PCAOB") registered and inspected independent accounting firm in accordance with Rule 206(4)-2 under the Advisers Act. The audited financial statements of each Fund are prepared in accordance with generally accepted accounting principles ("GAAP") and distributed to Fund investors within 120 days of a Fund's fiscal year end as required by the custody rule or alternatively, within 90 days of

a Fund's fiscal year end for certain funds per Offering Document requirements. Investors should review these audited financial statements carefully.

Any alternative investment vehicle formed to facilitate a portfolio investment in a Fund for special tax or regulatory reasons is also subject to an annual audit by a PCAOB registered and inspected independent accounting firm in accordance with the Advisers Act.

Upon the final liquidation of a Fund, the Adviser will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all investors promptly after completion of the audit.

#### **ITEM 16: INVESTMENT DISCRETION**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

As discussed above in *Item 4 – Advisory Business*, the Adviser provides investment advisory services to each Fund on a discretionary basis but is subject to the overall supervision of the General Partner of each Fund. The limitations on the Adviser's investment discretion are established through negotiations with the investors in each Fund and/or its General Partner. These limitations, which are negotiated on a case-by-case basis and will vary from time to time, are incorporated into each Fund's Offering Documents, which include the applicable management agreement with the Adviser. In the case of Funds whose investment periods have closed, the Adviser's investment discretion will be limited to certain follow-on investments and the liquidation of existing portfolio company positions.

#### **ITEM 17: VOTING CLIENT SECURITIES**

- A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

The Funds do not generally hold registered securities, and therefore NRD Capital does not vote proxies in the traditional sense. Nonetheless, NRD Capital or its affiliate may vote proxies (or similar instruments) for a Fund if required by a Fund's Offering Documents. In accordance with Advisers Act requirements, the Adviser has adopted proxy policies to address voting requirements, if any, for Fund portfolio investments. Proxy policies seek to ensure that the Adviser votes proxies in the best interest of a Fund, including when there may be material conflicts of interest in voting proxies.

It is important to note that the Adviser or General Partner will typically name one or more affiliated persons to serve on the board of directors of portfolio companies. As such, a conflict of interest could arise when voting certain common proxies, including board composition, tenure, or compensation.

The Adviser believes its interests are aligned with Fund investors through the General Partner's ownership interests in a Fund and therefore does not generally seek investor approval or direction when voting proxies. If, however, there is or may be a conflict of interest between the General Partner and a Fund in voting proxies, the Adviser may address the conflict using several alternatives as set forth in proxy policies.

The Adviser's proxy policies are designed to ensure that any material conflict of interest is identified for a particular proxy vote and the vote is not improperly influenced by the conflict. If you are an investor and would like to obtain a copy of the Adviser's proxy voting policies or additional information about how proxies have been voted, please contact Jane Shahmanesh, Chief Compliance Officer, at (917) 885-2596 or [jane@adherencellc.com](mailto:jane@adherencellc.com).

**B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

See Item 17A. above.

#### **ITEM 18: FINANCIAL INFORMATION**

**A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

NRD Capital does not require or solicit prepayment of advisory fees six months or more in advance.

**B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

NRD Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds or investors.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

NRD Capital has not been the subject of a bankruptcy or insolvency proceeding.

**ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

N/A