

Part 2A of Form ADV: Firm Brochure

Dated March 30, 2020

Graham Partners, Inc.
3811 West Chester Pike
Building 2, Suite 200
Newtown Square, PA 19073
P: 610.408.0500
F: 610.408.0600
www.grahampartners.net

This brochure provides information about the qualifications and business practices of Graham Partners, Inc. If you have any questions about the contents of this brochure, please contact us at 610.408.0500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Graham Partners, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Since the last annual update to its Brochure filed on March 28, 2019, Graham Partners, Inc. (“Graham Partners”) filed an other-than-annual amendment dated May 24, 2019 which updated this Brochure to reflect additional disclosures to Item 5 regarding (i) portfolio company fees and (ii) stock option and other incentive equity compensation grants by portfolio companies. There have been no material changes to Graham Partners’ Brochure since the last annual update.

Item 3: Table of Contents

Item 2: Material Changes.....	2
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-by-Side Management.....	10
Item 7: Types of Clients.....	11
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	11
Item 9: Disciplinary Information	16
Item 10: Other Financial Industry Activities and Affiliations	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12: Brokerage Practices	18
Item 13: Review of Accounts	19
Item 14: Client Referrals and Other Compensation.....	19
Item 15: Custody.....	20
Item 16: Investment Discretion.....	20
Item 17: Voting Client Securities	20
Item 18: Financial Information	21

Item 4: Advisory Business

Graham Partners, Inc., a Pennsylvania corporation (“Graham Partners” or “we”), is a private investment firm, based in suburban Philadelphia, which focuses on acquiring and investing primarily in lower middle market manufacturing and industrial service related companies principally in the United States and Canada with growth potential. Graham Partners is owned by Steven C. Graham, its Chief Executive Officer.

We provide investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended. We currently provide investment advice to Graham Partners Investments, L.P., Graham Partners Annex, L.P., Graham Partners II, L.P., Graham Partners II Co-Investment, L.P., Graham Partners III, L.P., Graham Partners IV, L.P. and Graham Partners V, L.P. (together with their respective parallel partnerships, the “Funds”) either directly or through Graham Partners Management II, L.P., Graham Partners Management III, L.P. or Graham Partners Management IV, L.P., each a wholly-owned subsidiary of Graham Partners which is registered as a relying investment adviser in accordance with SEC guidance under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). From time to time, co-investors can invest directly into portfolio companies. We may in the future advise other funds in addition to those listed herein.

Prior to the formation of the first Fund in 1999, Graham Partners served in a corporate finance advisory capacity for a group of industrial and investment businesses founded by entrepreneur Donald C. Graham, the father of Steven C. Graham. These entities were then commonly known as “The Graham Companies” or “The Graham Group.” Today, the Graham Group name has been broadened and is used to refer to an alliance of independently owned and operated industrial and investment management businesses, which includes Graham Partners.

As investment adviser for each Fund, Graham Partners identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each Fund. Graham Partners provides these investment advisory services to each Fund pursuant to separate investment advisory agreements (each an “Advisory Agreement”). The terms of the investment advisory services to be provided by Graham Partners to a Fund, including any specific investment guidelines or restrictions, are set forth in such Fund’s Advisory Agreement and/or in its limited partnership agreements. We tailor our advisory services to the individual needs of each of the Funds. Individual needs are identified through a review of overall guidelines and objectives, as well as specific investment goals.

Graham Partners may enter and has entered into side letters or other similar arrangements with certain investors that have the effect of establishing rights under, supplementing or altering a Fund’s partnership agreement or an investor’s subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to limited partners who have capital commitments in excess of certain thresholds to one or more Funds), or transfer rights. For the most part, any right established, or any term altered or supplemented, will govern only the investment of the specific investor and not the terms of a Fund as whole. Certain such additional

rights, but not all rights, terms or conditions may be elected by certain investors with “most favored nation” rights pursuant to their own side letters.

We do not participate in any wrap fee programs.

As of the date hereof, the committed capital raised by us since inception of the Funds, plus co-investments we have led, totaled approximately \$3.159 billion, comprised of \$2.663 billion in committed capital and the balance in co-investments led by Graham Partners. As of December 31, 2019, our regulatory assets under management (“Regulatory AUM”) totaled approximately \$1.752 billion. This Regulatory AUM figure represents the sum of the fair market value of the assets held by the Funds as of December 31, 2019, plus the aggregate amount of uncalled capital commitments to the Funds as of the date hereof. We manage all of the assets in the Funds on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

We are compensated for our investment advisory services based on a percentage of committed capital or invested capital. Generally, each Fund pays us a management fee based on committed capital during its investment period, and thereafter pays us a management fee based on invested capital. In certain cases, however, a Fund will only pay a management fee based on invested capital. The percentage rate varies from 1.0% to 2.0% per annum. The general partner of the applicable Fund negotiates the rate with investors in each Fund at the time such Fund is established. We are entitled to collect management fees from some of the Funds on a semi-annual basis and from other Funds on a quarterly basis. As described below, the management fee may be reduced or waived in some circumstances in connection with the receipt by Graham Partners or its affiliates of various fees paid by actual or prospective portfolio companies. The management fee is generally subject to waiver or reduction by the general partner of the applicable Fund, in its sole discretion, with respect to some or all of the investors in the Fund (including in connection with investments in the applicable Fund made by the general partner or its affiliates).

Management fees are payable quarterly in advance of the services rendered or semiannually on the 15th day of the period. As required by the Advisers Act, if the Advisory Agreement is terminated before the end of the applicable period, management fees for such Fund will be charged on a pro rata basis through the date of termination, and any fees paid in advance but not earned will be refunded.

Graham Partners may exempt, among others, past or present principals, employees, senior advisors, operating partners, certain service providers and other executive management members of portfolio companies from payment of all or a portion of management fees and/or carried interest.

The Funds will bear all legal, accounting, printing, travel and other organizational expenses related to the formation of the Funds and to the offering and sale of limited partner interests in the Funds to prospective investors as further detailed in the governing documents. The Funds also generally bear certain other fees, expenses and costs which are incurred or incidental or related to the maintenance of the Fund or related to the acquisition, carrying and disposition of investments. The operating and offering documents of each Fund, including the private placement memorandum, set forth the particulars of such operating expenses that may be borne by each Fund,

but such operating expenses may include (without limitation) the following fees, costs and expenses relating or arising from:

- the evaluation, acquisition, holding, development, management, monitoring, refinancing and disposition of investments, including without limitation, travel (which may include private jet, first class and business class commercial travel), accommodation, meal and entertainment expenses related to such investments or prospective investments, private placement fees, syndication fees, bank charges, closing and execution costs, sales commissions, appraisal fees, underwriting commissions, and discounts and brokerage fees;
- borrowings, financings, guaranties or derivative transactions;
- third-party services, including, without limitation, custody, legal, accounting, consulting, environmental evaluation, investment banking, valuation, tax compliance, audit, depositary, safekeeping and other professional costs;
- insurance or indemnity expenses (including the cost of premiums with respect to any directors and officers or similar insurance for the employees of Graham Partners);
- administration, including, without limitation, preparation of its financial statements and reports to limited partners, the preparation of tax returns and Schedules K-1, the fees and expenses of a third-party administrator, if any, and expenses associated with the maintenance of books and records of the Funds;
- meetings of partners, the advisory board and any advisory board subcommittee, including reasonable and customary out-of-pocket expenses of its members;
- structuring, organizing, operating and maintaining investment vehicles;
- temporary investments and unconsummated transactions, including, without limitation, broken-deal expenses, including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such transactions consummated;
- the dissolution and liquidation of the Funds;
- any restructuring or amendments to the constituent documents of the Funds and in connection with administering side letters entered into with limited partners;
- licensing, purchase, development, programming and operation of computer software in connection with the Funds or research or obtaining information for the Funds and information services subscriptions;
- collection of amounts due to the Funds from any person, including amounts relating to defaults by limited partners in the payment of capital contributions; and

- compliance with applicable laws, regulations and administrative requirements and any litigation, governmental inquiries, investigations or proceedings, in each case related to the Funds or their investments.

Some of the above services may be provided at cost by our affiliates as further described below. For the avoidance of doubt, the Funds will be responsible for all broken-deal expenses related to an unconsummated transaction, notwithstanding the anticipated participation of co-investors in such transaction, except as otherwise provided in the Funds' governing documents or as otherwise determined by the general partners of the Funds. Graham Partners and its affiliates perform management, advisory and other services for, and receive fees from, actual or prospective portfolio companies of the Funds. Such portfolio company fees are generally management fees or monitoring fees, subject to agreements with portfolio companies. The portfolio company fees subject to off-set pursuant to the applicable Fund's governing documents reduce Fund-level management fees, as described in the second paragraph that follows and as provided under the terms of the applicable limited partnership agreements, with the balance of such portfolio company fees being retained by Graham Partners. The portfolio company fees may be significant and may be paid in cash or in securities of portfolio companies or investment vehicles (or rights thereto). Typically, the compensation to Graham Partners for these services takes the form of a pre-paid fee paid by the portfolio company pursuant to a management services agreement that the portfolio company enters into with Graham Partners at the time a Fund initially invests in the portfolio company. The agreements with the portfolio companies generally involve an initial term of five years and renew automatically for successive terms of one year each, unless the parties agree to terminate the agreement. The portfolio company fee paid to Graham Partners under these agreements is customarily pre-paid at the beginning of each such term (whether an initial term or a successive term, as applicable), and the associated off-set to reduce Fund-level management fees for Fund investors is applied on the date of, or in the periods immediately following, payment of the fee in accordance with applicable limited partnership agreements. Neither the pre-paid portfolio company fee nor the associated off-set amount received by Fund investors is refundable to the portfolio company or the Fund, as applicable, regardless of when the Fund exits its investment in the portfolio company, which could be prior to the expiration of the initial term (generally 5-years) or subsequent terms (generally 1-year each) of the agreement, but Graham Partners may choose to reimburse or credit such pre-paid fees to the portfolio company or the Fund, as applicable, in which case such off-set amount would be reversed or credited.

The receipt by Graham Partners of such pre-paid portfolio company fees that are not reimbursable in the event of an exit prior to the expiration of the applicable payment term subjects Graham Partners to conflicts of interest, including, without limitation, by potentially increasing the amount of equity that is called from the applicable Fund to finance the portfolio company acquisition (which amount of equity generally will be subject to management fees after the investment period of the Fund, as set forth in the applicable limited partnership agreements for the Funds). In addition, the receipt of such fees may result in Graham Partners receiving compensation with respect to a time period for which Graham Partners did not provide portfolio company services.

Although such supplemental portfolio company fees are paid in addition to the management fees paid by the Funds, the limited partnership agreements of the Funds generally provide for a reduction or off-set of future Fund-level management fees in connection with the

receipt of these supplemental portfolio company fees. The supplemental portfolio company fees and the applicable off-set amounts are disclosed in the quarterly financial statements and the annual audited financial statements issued by each Fund. In addition, each year the Funds commission the independent auditor of the Funds to perform certain supplemental accounting procedures to assist our accounting team in ascertaining that all off-set calculations are in conformance with the terms of the applicable limited partnership agreements. The findings of these supplemental accounting procedures are used in our analysis of each Fund's internal controls. We believe this supplemental analysis adds additional checks and balances in the important areas of internal controls and compliance with the terms of the limited partnership agreements of the Funds. The calculation of the reduction in Fund-level management fees, which is described in the applicable limited partnership agreements of each Fund, varies from Fund to Fund and may vary by partnership entity or investor within a Fund. The management fee reduction amount is typically calculated as a percentage of the supplemental fee paid; then the reduction is allocated under the terms of the applicable limited partnership agreements on a pro-rata basis to all Fund investors, and to investors in parallel Funds or successor Funds, including investors who pay Fund management fees and those who do not, such as the Fund general partner and affiliates. For certain Funds, the management fee reduction is further allocated to co-investors in portfolio company investments. In accordance with the terms of the applicable limited partnership agreements, Graham Partners retains the fee reduction amount that is allocable to non-management fee-paying Fund investors, such as the Fund general partner and affiliates, and, for certain Funds, Graham Partners also retains the fee reduction amount that is allocable to co-investor entities in accordance with the terms of the applicable limited partnership agreements. The fee reduction amounts retained by Graham Partners are subject to caps imposed by the applicable Fund general partner, whereby the cumulative amount of the fee reduction that may be retained by Graham Partners after the applicable off-sets have been applied in accordance with the terms of the Fund limited partnership agreements is subject to a cap equal to 2.5% of the aggregate committed capital of the Fund as of the final closing of the Fund; any excess amounts shall be distributed among the Fund investors who opt to receive such amounts, pro-rata based upon their committed capital divided by the committed capital of all Fund investors receiving such amounts.

In order to improve efficiency and reduce certain costs for the Funds and the portfolio companies, Graham Partners formed Graham Partners Operating Company, LLC ("GPOC") in 2008 to better coordinate, manage and oversee the operations consulting, commercial diligence and investment sourcing and analytical services that are provided across each of the Funds by various operations executives, industry experts, consultants and outside firms. These services are provided by GPOC staff and outside specialty consulting firms or executives to portfolio companies of the Funds and in certain instances to the Fund entities themselves. In conjunction with an acquisition of a portfolio company, GPOC may receive a pre-funded amount of cash from the portfolio company to be used to pay for future GPOC services, related expenses, or other expenses as directed by the portfolio company. Upon the sale of the portfolio company, any unused pre-funded amounts are returned to the portfolio company by GPOC. GPOC's consulting services are subject to consulting agreements with the applicable portfolio companies. GPOC is a wholly owned subsidiary of Graham Partners subject to annual audit by the independent auditor of the Funds; the operational consulting and other specialized advisory services GPOC provides to the Funds and their portfolio companies are passed through at cost with no mark-up and are disclosed in the quarterly financial statements and annual audited financial statements of the Funds. In addition to the services provided by operations executives, GPOC also employs certain

accounting personnel who provide fund accounting and fund valuation services to certain of the Funds. The expenses incurred by GPOC related to these services are also passed through to the Funds at cost. GPOC is an alternative to the outsourcing of such services to third parties, and GPOC's services reflect pass-through expenses provided at cost with no mark-up. GPOC's services are intended to be provided at or below market rates and on an arms-length basis. Graham Partners believes that outsourcing would result in materially higher costs for the Funds and the portfolio companies. GPOC has been subject to an annual audit by the independent auditor of the Funds each year since its inception in 2008, and has operated at a break-even every year since its inception. In addition, the independent auditor of the Funds is commissioned to perform additional accounting procedures related to GPOC. This procedure provides a line-item summary of the financial statements of GPOC dating from 2010 through the most recent applicable fiscal year end, as reflected in the annual audited financial statements of Graham Partners.

In accordance with the terms of the applicable limited partnership agreements of the Funds, the costs and expenses for work done by GPOC on Fund-related matters are generally allocable to the Funds, while the costs of work done by GPOC on behalf of the portfolio companies are passed on to the applicable portfolio companies. In all cases in which GPOC provides services to the Funds or the portfolio companies, GPOC's costs and expenses are passed on with no mark-up. The amounts allocated to the Funds and charged to the portfolio companies in respect of GPOC's services are disclosed in the quarterly financial statements and annual audited financial statements of the Funds and, in accordance with the terms of the applicable limited partnership agreements, are reimbursable expenses that are not subject to off-set. Also in accordance with the terms of the applicable limited partnership agreements, portfolio companies of the Funds customarily grant stock options and other incentive equity directly to management, board members that are not Graham Partners employees, external operations executives and in certain cases to GPOC, its affiliates or GPOC operations executives who advise the portfolio companies, which equity incentive awards (and any amounts paid in respect thereof) are not subject to off-set, are in addition to other payments made to such recipients, if applicable, and, with respect to such equity and similar awards paid to GPOC, its affiliates and GPOC operations executives, constitute costs that are borne by the portfolio companies and, indirectly, the Funds. For the avoidance of doubt, other than grants to GPOC, its affiliates or GPOC operations executives, any such equity incentives that may be granted to Graham Partners or its employees are subject to off-set. The presence of such options and/or other equity-linked incentives may be dilutive and are considered in connection with the quarterly valuation process for each of the Funds. As noted in the preceding paragraph, we believe that outsourcing would result in materially higher costs for the Funds and the portfolio companies, considering both the cost of GPOC's service fees and any equity-linked incentives.

In addition, certain Graham Group entities that are deemed not to be affiliates of Graham Partners under the terms of the Funds' limited partnership agreements, provide operations-related consulting services to portfolio companies of the Funds and from time to time to the Funds themselves; such services are traditionally provided through GPOC and the costs are intended to be at or below market rates, provided on an arms-length basis. From time to time, Graham Partners and GPOC also make personnel available and provide operations-related or other consulting services to certain other Graham Group entities.

Internal control procedures have been adopted by our accounting team that are designed to ensure that Fund expenses are properly calculated and allocated to the Funds, and that management

fee off-sets are correctly applied, all in accordance with the terms of the Funds' governing documents. For example, legal counsel of the Funds has prepared a synopsis of the terms of the partnership agreements for each of the Funds that govern transactions with affiliates to ensure that these provisions are correctly understood and consistently applied by our accounting staff. In addition, each year the independent auditor of the Funds is commissioned to perform supplemental accounting procedures related to fees and fee off-sets, expenses and expense allocations, and GPOC. These supplemental accounting procedures are performed by the independent auditor following the completion of the annual audits of the Funds, and help us and our accounting team to ensure conformance with the terms of the limited partnership agreements which govern each of the Funds. Supplemental accounting procedures have been performed by the independent auditor of the Funds annually commencing after the 2011 year-end audit with historical analysis dating back to 2009 and 2010. The findings of these added procedures are used in our analysis of the internal controls of each Fund, and we believe this supplemental analysis adds additional checks and balances in the important areas of internal controls and compliance with the terms of the limited partnership agreements of the Funds.

The applicable limited partnership agreements for each Fund partnership entity have provisions that allow such partnerships to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from the Fund's investors or in lieu of calling capital. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying a Fund's reported net internal rate of return (IRR), particularly in the early years of a Fund's investment cycle. Such borrowings can also accelerate the date upon which a Fund's preferred return will be achieved for purposes of determining when the General Partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Fund. In accordance with the terms of the applicable limited partnership agreements, interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses and such expenses will decrease a Fund's net returns over time. The terms of each partnership's borrowing arrangement and borrowings outstanding, if any, are disclosed to the investors in the quarterly and annual financial statements of each partnership entity. The Funds may also guarantee obligations of portfolio companies.

Brokerage costs may be incurred in accordance with the practices set forth in Item 12 below, "*Brokerage Practices*."

The expenses described above are detailed, but do not include every possible expense a Fund may incur. Investors should review the applicable Fund's offering materials and limited partnership agreement for further details.

Item 6: Performance-Based Fees and Side-by-Side Management

Affiliated entities of Graham Partners and some of our supervised persons receive carried interest distributions from certain Funds, which are based on a share of realized gains in the assets of such Funds. Such carried interest distributions may ultimately be distributed to employees of Graham Partners and its subsidiaries (or to entities formed by such employees for estate planning purposes). The amounts of such carried interest distributions are set forth in the limited partnership agreements of the Funds. As provided under the applicable limited partnership agreements of the Funds, carried interest is generally subject to waiver, deferral, recontribution or reduction by the

general partner of the applicable Fund, in its sole discretion, with respect of some or all of the investors in the Fund (including in connection with investments in the applicable Fund made by the general partner or its affiliates).

Carried interest may create an incentive to make investments on behalf of the Funds that may be riskier or more speculative than would otherwise be the case. In addition, the payment by some but not all of the Funds of carried interest may create an incentive for the disproportionate allocation of an investment to Funds paying carried interest versus Funds that do not pay carried interest or Funds which may pay a lesser amount of carried interest. To mitigate this potential conflict of interest, the allocation of investment opportunities among the Funds is made by general partners of the Funds in accordance with the applicable limited partnership agreements of the Funds. The general partners of the Funds make allocations taking into account multiple criteria to derive an allocation that, in the general partners' judgment, is fair and equitable to each Fund relative to other Funds over the life of each Fund, taking into account all relevant facts and circumstances. The general partners of the Funds take a similar approach with respect to the allocation of follow-on investment opportunities, co-investment opportunities and divestment opportunities.

As noted above, Graham Partners may cause the Funds to borrow money prior to capital being called from the Fund's investors or in lieu of calling capital. Such borrowings may accelerate the date upon which a Fund's preferred return will be achieved for purposes of determining when the General Partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Fund. See "Item 5: *Fees and Compensation*" above.

Item 7: Types of Clients

We provide investment advice to the Funds. Investors in the Funds include high-net-worth individuals, college and university endowments, public and private pension plans, funds-of-funds and other institutional investors. Fund interests are offered and sold generally to investors that are (i) "accredited investors as defined under Regulation D of the Securities Act and (ii) "qualified clients" as defined under the Advisers Act or other "knowledgeable employees" of Graham Partners.

Funds may have a specified minimum investment set forth in their offering documentation, organizational documents or other governing documents. Typically, the Funds require minimum investment amounts ranging from \$1 million to \$5 million, but such minimums are typically subject to Graham Partners' discretion to permit investment of a smaller amount generally or with respect to any investor in the relevant Fund.

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

Our investment objective is to make investments primarily in lower middle market manufacturing and industrial service related companies principally in the United States and Canada. In evaluating potential portfolio companies, we conduct extensive due diligence to analyze, among other things, the company's market and competitive position within that market, cost and revenue structures, unique assets (such as brand strength, distribution capability and intellectual property), management team and compensation structure, contingent liabilities

(environmental, regulatory, accounting or otherwise), potential growth opportunities and potential exit strategies.

GPOC also employs a group of operating professionals with significant career experience across a broad range of industries who assist us in the sourcing of investment opportunities, the due diligence of potential transactions and the ongoing development of portfolio companies.

Our investment strategy is primarily long-term investment in privately held companies. It is possible that some investments may be held for less than a year, though this is not typical of our investment strategy. Graham Partners' Investment Committee, comprised of senior members of the Graham Partners team, is ultimately responsible for making investment decisions for the Funds.

Acquiring an interest in a Fund involves a number of significant risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund. Investment risks include, but are not limited to, the following:

- **Risks Associated with the Funds' Investment Strategies.**

- **Concentrated Portfolio.** The investment strategies pursued by the Funds involve making illiquid private investments in a relatively small number of portfolio companies. As a result, each Fund's portfolio tends to be highly concentrated, and the failure of even one of these investments could have a materially adverse impact on a Fund's overall performance.
- **Sourcing of Investments.** The competition for sourcing investments for the Funds is becoming increasingly intense. There can be no assurance that Graham Partners will be able to source a sufficient number of suitable investments at reasonable valuations to achieve a Fund's investment objective.
- **Portfolio Company Management.** The Funds' investment strategies often involve investing in portfolio companies whose businesses are subject to significant risks, including strategic, financial or other challenges. Some of these portfolio companies may be highly leveraged, and the Funds' exit strategies may be uncertain at the time the Funds make an investment in the portfolio company. The success of the Funds' investments in these companies is highly dependent on the ability of the managers of these companies to successfully navigate these and other challenges.

- **Risks Associated With Investing in Interests in the Funds.**

- **Interests in the Funds.** Investments in the Funds are illiquid, and interests in a Fund may not be transferred without the prior consent of the general partner and the satisfaction of certain other conditions. Investors in the Funds should be able and prepared to maintain their investments in the Funds over the entire life of the Fund.
- **Passive Investment.** An investment in the Funds is a passive investment. As limited partners, investors in the Funds have no control over the day-to-day operations of the

Funds and limited rights to protect themselves if they are dissatisfied with the manner in which a Fund is being operated. Limited partners are highly dependent on the investing skills and management abilities of Graham Partners to achieve success.

- **Valuation Risk.** The valuation of the Funds' investments is a difficult task that relies heavily on Graham Partners' business judgment. Although Graham Partners maintains stringent policies, procedures and financial controls over the valuation process (including independent review by the Funds' auditors), there can be no assurance that the Funds will be able to realize their investments at price that is commensurate with the value at which such investments have been carried on the Funds' books.
- **Differing Interests.** Graham Partners manages each Fund in a manner that is consistent with the best interests of the Fund, which is not necessarily consistent with the best interests of each individual investor in the Fund. In particular, Graham Partners may structure investments so as to maximize tax efficiency for the Fund, but which may not be the most tax advantageous structuring possible for an individual investor, depending on that investor's own particular facts and circumstances.
- **Cross Investments.** Some Funds have cross-investments in certain portfolio companies with other Graham Partners Funds, and in certain instances a portion or all of one Fund's investment in a given portfolio company may be junior or senior in priority to another Fund's investment in the same portfolio company.
- **Use of Leverage.** The Funds' investments may involve leveraged acquisitions, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow.
- **Need for Significant Capital.** The companies in which the Funds will invest may require significant amounts of capital. There can be no assurance that such capital will be available from public capital markets or private sources. In particular, the cyclicity of public markets may prevent portfolio companies from raising money in this sector, despite attractive products or services. Furthermore, the highly leveraged nature of some portfolio companies may impair their ability to raise additional capital in the future. Failure of a portfolio company to raise the necessary capital to fund its operations, research and development, capital expenditures or other activities may require, among other things, the sale or liquidation of some or all of the assets of such company at a loss or reduced valuation from the price paid by the Funds.
- **Bridge Financings.** The Funds are permitted to make bridge financings, subject to certain limitations, in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-

term securities may not be issued and such bridge loans may remain outstanding with increased levels of associated risk. Additionally, if a Fund makes an investment in a single transaction with the intent of refinancing or syndicating the portion of that investment constituting a bridge financing, there is a risk that such Fund will be unable to successfully complete such a refinancing. This could cause the Fund to be less diversified than Graham Partners intended.

- **Non-U.S. Investments.** The Funds may make investments in portfolio companies located or operating outside of the United States. Such investments involve a number of risks, including, without limitation: (i) the risk of adverse political developments such as political unrest, war, sanctions, nationalization or confiscation without fair compensation (including expropriation and confiscatory levels of taxation); (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of governmental, market, exchange and other restrictions on capital movements, which may make it difficult or impossible to exchange or repatriate foreign currency; (iv) less publicly available information; (v) less developed regulatory institutions; (vi) greater difficulty of enforcing legal rights; and (vii) the risk that regulations might prevent portfolio companies from implementing strategies to produce expansion, to reduce costs or to improve operations or otherwise to enhance the value of the Funds' investment in such portfolio companies. In addition, laws and regulations of foreign countries may impose restrictions or approvals that do not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Other countries may also impose taxes on the Funds and their limited partners.
- **Volatile Market Conditions.** In recent years there has been extended volatility and disruption in the global financial markets. The risks of a trade war, tariffs and supply chain disruptions, uncertainty created by the United Kingdom's ongoing negotiation of its withdrawal from the European Union, the threat of attacks by terrorist organizations, volatility in the Middle East, concern over an economic slowdown in China and North Korean nuclear missile capabilities, among other factors, may contribute to substantial future volatility in global financial markets, which could adversely affect the Funds' investments, and, in turn, adversely affect the performance of the Funds. The lack of available credit or the increased cost of credit may materially adversely affect the performance of the Funds' investments that rely heavily on leverage. Disruptions in the debt and equity markets may make it more difficult for the Funds to exit and realize value from its investments, because potential buyers of investments may not be able to finance acquisitions and the equity markets may become unfavorable for initial public offerings. In addition, volatility may directly affect the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the valuation of the Funds' investments.
- **Unforeseen Events Risk.** Portfolio investments may be subject to catastrophic events and other force majeure events such as fires, earthquakes, tsunamis, hurricanes, adverse weather conditions, changes in law, eminent domain, riots, terrorist attacks, epidemics and similar risks. These events could result in the partial or total loss of one or more

portfolio investments or significant down time, resulting in lost revenues, among other potentially detrimental effects.

- **Illiquidity of Portfolio Investments.** Investments in most of the portfolio companies will be highly illiquid until such time as a public market is created. There can be no assurance that the Funds will successfully realize upon their investments in any portfolio company through a sale, a public offering of securities of such portfolio company or otherwise. Furthermore, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the limited partners.
- **Cybersecurity and Identity Theft.** Graham Partners, each Fund and each Fund's portfolio companies generally rely on information technology systems for current and planned operations. Information and technology systems of Graham Partners and each Fund's portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, Graham Partners, a Fund and/or a portfolio company may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Funds' investment results and its ability to make distributions to its partners. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Graham Partners', the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Graham Partners', the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.
- **Disease and Epidemics.** The impact of disease and epidemics may have a negative impact on our business, our Funds, their portfolio companies and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our Funds or portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, our Funds and underlying portfolio investments.

The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China (“COVID-19”), and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The speed and extent of the spread of COVID-19, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of COVID-19, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain. Our operations and business results, including with respect to any particular Fund or other client or their investee portfolio companies, could be materially adversely affected. The extent to which COVID-19 (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or treat its impact, among others.

No guarantee or representation can be made that a Fund will achieve its investment objective or that limited partners will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by the Funds could lose money over short or even long periods. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund’s investment, operational and other actual and potential risks.

Item 9: Disciplinary Information

There are no material legal or disciplinary events relating to our advisory business or the integrity of our management persons.

Item 10: Other Financial Industry Activities and Affiliations

Graham Partners acts as investment adviser to the Funds, and certain related persons act as general partners of the Funds. Additionally, several related persons are relying investment advisers that serve as management companies to the Funds and provide certain administrative and managerial services. These related persons are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to Graham Partners’ registration. These affiliated investment advisers operate as a single advisory business together with Graham Partners and may share common owners, officers, partners, employees, consultants or persons occupying similar positions. The Investment Committee of Graham Partners is currently comprised of certain of the senior members of the Graham Partners team. In addition, as is described in Items 5 above and Item 11 below, GPOC and other entities within the Graham Group provide various services to the Funds and their portfolio companies.

We do not recommend or select other investment advisers for the Funds or have other business relationships with other investments advisers that create a material conflict of interest.

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

We have adopted a written Code of Ethics which applies to all of our employees, and any other access persons as determined by Graham Partners. Our Code of Ethics requires our employees to serve the best interests of our clients in compliance with our status as a fiduciary, to comply with applicable federal securities laws and to report any violations of our Code of Ethics promptly to our Chief Compliance Officer. Our Code of Ethics includes insider trading policies and procedures. Generally, each of our employees must pre-clear certain personal securities transactions and provide copies of trade confirmations and periodic account statements, annual securities holdings reports and quarterly securities transactions reports. We will make our Code of Ethics available to any investor or prospective investor who requests a copy.

From time to time we may cause one of the Funds to buy or sell securities in which one of our officers, directors, employees or affiliates (as defined in the Funds' limited partnership agreements) has a material financial interest. The existence of such relationships may create a conflict of interest between the Fund and the relevant officer, director, employee or affiliate. Pursuant to the limited partnership agreements of the Funds, such transactions must be approved by the Fund's advisory board or a subcommittee thereof. A Fund's advisory board is comprised of representatives of its limited partners. Limited partners with advisory board representation in a given Fund may have holdings in other Graham Partners Funds and/or may have made co-investments alongside of one or more of the Graham Partners Funds, and may thus consider factors that are different than those of other limited partners who have advisory board representation in such Fund, but have no cross-holdings or co-investments. While this could create potential conflicts of interest between a given Fund and the relevant advisory board member, such potential conflicts are addressed in accordance with the applicable provisions of the Funds' limited partnership agreements.

From time to time our officers, directors, employees or affiliates may wish to co-invest in a transaction in which a Fund with remaining available capital is making an investment. This may create a conflict of interest between such Fund and the relevant officer, director, employee or affiliate. Pursuant to the limited partnership agreements of such Fund, such transactions must be approved by such Fund's advisory board or a subcommittee thereof, provided that approval is not required if the officer, director, employee or affiliate acquires such securities in his or her capacity as a director of a portfolio company. Certain members of the advisory boards may be employed by firms which provide or have in the past provided services to the Funds or portfolio companies, such as legal services or operational consulting services. While this could create potential conflicts of interest between a given Fund and the relevant advisory board member, such potential conflicts are addressed in accordance with the applicable provisions of the Funds' limited partnership agreements.

In accordance with the limited partnership agreements of the Funds, certain Graham Group entities and other related persons, which are deemed not to be affiliates of Graham Partners under the Funds' limited partnership agreements, have historically owned limited partnership interests

in the Funds and have often held advisory board representation with the Funds alongside of other limited partners. Certain Graham Group entities and other investors have also historically been offered the opportunity to co-sponsor or co-invest (collectively “Co-Invest”) in a portfolio company in which a Fund with remaining available capital is making an investment, particularly in instances in which the general partner seeks operational expertise or other expertise which can benefit the Fund that will be making the investment. Opportunities to Co-Invest are offered in accordance with the terms of the applicable limited partnership agreements of the Funds and generally do not require advisory board consent for the Funds. Pursuant to the limited partnership agreements of the Funds, the general partner of each Fund may only offer opportunities to Co-Invest to the extent the general partner believes it is appropriate to do so. Generally, Graham Partners will select which investors or other persons are permitted to Co-Invest based on various factors, including the overall strategic benefit of offering a co-investment opportunity to the potential co-investor, the size of the potential co-investor’s commitment to the Fund, the investor’s expression of interest or right to Co-Invest granted by such investor’s side letter arrangements or other written communication and any other reason for including such investor or person determined by Graham Partners in its sole discretion. In any case, the general partner may not reduce a Fund’s level of investment in a transaction below that which the general partner deems appropriate or as required by the Funds’ applicable governing documents. If a Graham Group entity does Co-Invest with one of the Funds in a portfolio company, the transaction is disclosed in the quarterly financial statements and annual audited financial statements of the applicable Fund.

Certain Graham Group entities manage pools of investor capital independent from the Funds. When a Graham Group entity has Co-Invested with the Funds, it has traditionally actively assisted Graham Partners with pre-closing operational due diligence and post-closing portfolio company matters, often including participation on portfolio company boards, and received compensation for these services. We believe the expertise available to our Funds and portfolio companies through such Graham Group entities has provided our Funds with a significant edge in a competitive marketplace, and that our access to the expertise offered by such Graham Group entities has provided key advantages to each of our Funds in sourcing, pre-investment diligence and portfolio company oversight.

Item 12: Brokerage Practices

As a private investment firm, from time to time we may engage registered broker-dealers to assist us in selling one of our privately held portfolio companies or publicly traded securities. In the event we choose a broker-dealer, we seek to obtain best execution of transactions.

In selecting broker-dealers and negotiating rates, we look for whether the transaction represents the best qualitative execution and take into account several factors, including but not limited to the broker-dealer’s relevant expertise in portfolio companies of the relevant size and industry, the reputation of the broker-dealer, the quality of investment research, timing and speed of execution and responsiveness. Generally, we get competing bids and compare them to current market prices.

To the extent we aggregate orders for purchase and sale, we will aggregate such orders as we deem appropriate and in accordance with the Funds’ limited partnership agreements and in the best interest of each Fund.

We occasionally receive proprietary investment research and related services (“soft dollar benefits”) from broker-dealers in connection with client securities transactions. However, we have no formal agreements with any broker-dealer pursuant to which we receive soft dollar benefits. We may use the research to assist us in the performance of our investment decision-making responsibilities.

When we use the soft dollar benefits, we receive a benefit as we may not have to produce or pay for the research, products or services. As a result, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on the Funds’ interest in receiving most favorable execution.

We do not believe that this causes the Funds to pay brokers or dealers commissions in excess of the amounts other brokers or dealers would have charged in exchange for the soft dollar benefits. Consistent with our best execution obligation, we negotiate fee arrangements with broker-dealers that we believe are beneficial to the Funds.

The soft dollar benefits may not be used to service every Fund and we may use the soft dollar benefits to service accounts that did not pay commissions to the broker-dealers providing the soft dollar benefits. We do not seek to allocate soft dollar benefits to Funds proportionately to the soft dollar credits the Funds generate.

Within our last fiscal year, we have received written research materials on certain companies, industries, sectors of the economy, market trends and other topics which might affect the economy or the price of securities. During our last fiscal year, we did not direct any client transactions to a particular broker-dealer in return for soft dollar benefits.

The firm from time to time has engaged and may in the future engage placement agents in connection with its fund raising activities. However, the firm does not take fund raising activities into account when considering the brokers it may engage to execute trades.

Item 13: Review of Accounts

On behalf of the General Partner of each Fund, we manage the Funds on a day-to-day basis, and the Funds’ portfolio companies are closely monitored by our Managing Principals and investment professionals.

Audited financial statements are prepared for each of the Funds following the end of each fiscal year, and unaudited financial statements are prepared for each of the Funds following the end of the first three fiscal quarters, in each case in accordance with the terms of the Funds’ limited partnership agreements, and provided to investors. In addition to the information provided to all investors, Graham Partners may provide certain investors with additional information or more frequent reports that other investors will not receive.

Item 14: Client Referrals and Other Compensation

Graham Partners or its affiliates may provide certain operational consulting and other specialized advisory services to the Funds and their portfolio companies and may receive compensation from the Funds and their portfolio companies in connection with such services.

These fees may be in addition to management fees. See Items 5 and 11 above for more information.

Neither Graham Partners nor any affiliate thereof directly or indirectly compensates any person other than our officers, partners, directors or employees for client referrals. On occasion the firm pays placement agents in accordance with standard industry practice in connection with the Funds' capital raising activities.

Item 15: Custody

As required by the Advisers Act, Graham Partners has established custody accounts with one or more qualified custodians to hold funds and securities on behalf of each of the Funds for which Graham Partners is deemed to have custody. The Funds receive monthly or quarterly account statements from their respective qualified custodians, which we review carefully and reconcile quarterly to our internal records of the Funds' assets. In addition, independent public accountants audit each of Fund's financial statements annually, and such audited financial statements are distributed to the Investors in each Fund.

Item 16: Investment Discretion

Graham Partners and its affiliates generally have the authority to make all investment determinations on behalf of the Funds. The limited partnership agreements of the Funds generally impose some limitations on our investment discretion, which limitations can only be waived by the Fund's advisory board, a subcommittee of the advisory board or its limited partners.

Item 17: Voting Client Securities

We have adopted a Voting Policy to comply with Rule 206(4)-6 promulgated under the Advisers Act. The Voting Policy, which has been designed to ensure that we vote client securities in the best interest of the Funds and provide the Funds with information about how client securities are voted, contains procedures that have been reasonably designed to prevent and detect fraudulent, deceptive or manipulative acts by us.

It is our policy to vote client securities in the interest of maximizing shareholder value. To that end, we will vote in a way that we believe, consistent with our fiduciary duty, will cause the value of the shares to increase the most or decline the least. Consideration will be given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote. We will vote client securities in the best interest of the Funds and not our own. In voting client securities, we will avoid material conflicts of interest between our interests on the one hand and the interests of the Funds on the other.

The Funds are not able to direct our vote in a particular solicitation.

We will maintain records of all voting statements received and votes cast in an easily accessible place for five years. Investors and prospective investors in the Funds may request information from us about how we voted the securities held by the Funds. We will make our Voting Policy available to any investor or prospective investor who requests a copy.

Item 18: Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Graham Partners has not been the subject of a bankruptcy petition at any time during the past ten years.