

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

BALMORAL MANAGEMENT II L. P.

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March 30, 2020

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Balmoral Management II L. P. (“Balmoral Management”). If you have any questions about the contents of this Brochure, please contact us at (310) 473-3065. 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 authority.

Balmoral Management is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Balmoral Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Balmoral Management II LP (“Balmoral Management”) has updated our ADV Part 2A Disclosure Brochure to reflect the following change(s):

Item 4 – Advisory Business – Updated the amount of assets under management for Balmoral Management as of December 31, 2019 and to remove Balmoral Advisors, LLC and Balmoral Fund I, LP as they are both dissolved entities.

The previous version of this Brochure is dated March 29, 2019. Other non-material changes were made to this Brochure. Balmoral Management encourages each client to read the current version of this Brochure carefully and to call us with any questions.

Pursuant to SEC regulations, Balmoral Management will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of our fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as Balmoral Management experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. Additional information about Balmoral Management and our investment adviser representatives is available on the SEC’s website at www.adviserinfo.sec.gov.

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ITEM 4 - ADVISORY BUSINESS

Balmoral Management, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to affiliated private investment funds. Balmoral Management commenced operations in 2012.

Balmoral Management's clients include the following (each, a "Fund," and together with any future private investment fund to which Balmoral Management or its affiliates provide investment advisory services, the "Private Investment Funds"):

- Balmoral Special Situations Fund III L.P. ("BSSF III")
- Balmoral Special Situations Fund II L.P. ("BSSF II")
- Balmoral Investments II L.P.
- Balmoral Pallet Partners L.P.
- Balmoral Pallet Partners II L.P.

The following are the investment advisers affiliated with Balmoral Management¹:

- Balmoral Capital Advisors LLC
- Balmoral Management III, L.P. ("BM III")
- Balmoral Pallet Management L.P.

(each and Balmoral Management, a "General Partner" and together with Balmoral Management and their affiliated entities "Balmoral").

Balmoral Funds LLC, the general partner of Balmoral Management, holds all employees and incurs operating expenses such as compensation of its employees, rent, utilities and general office expenses.

Each General Partner is registered under the Investment Advisers Act pursuant to Balmoral Management's registration in accordance with SEC guidance (i.e., relying advisers). This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with Balmoral Management.

The Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. Balmoral's investment advisory services to the Private Investment Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted.

Certain senior principals, and sometimes other personnel of Balmoral Management or its affiliates serve on the portfolio companies' respective boards of directors, which allows them to have some influence and control over the management of portfolio companies held by the Private

¹ All of these entities are "relying advisers" and together with Balmoral Management are filing a single Form ADV in reliance on the SEC No Action Letter to the American Bar Association (January 18, 2012). Please see our Form ADV Part 1 at www.adviserinfo.sec.gov for additional information regarding these relying advisers.

Investment Funds. Please refer to Item 5 below for information regarding compensation received for the performance of services by certain senior executives of Balmoral Management. Balmoral Management's advisory services for Private Investment Funds are detailed in the applicable private placement memoranda and limited partnership agreements ("Offering Documents") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss."

Investors in the Funds participate in the overall investment program for the applicable Fund but may be excused from a particular investment due to legal, regulatory or other applicable constraints. In addition, the Funds or the General Partners are permitted to, as outlined in the Funds' Offering Documents, enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing the relevant partnership agreement, including by providing, among other things, different information rights, co-investment rights, liquidity or transfer rights and other economic rights that may be material, generally subject to a requirement that such rights or other terms be offered to all investors in the relevant Fund.

As of December 31, 2019, Balmoral Management managed approximately \$488,074,704 in Funds' assets on a discretionary basis. Balmoral Funds LLC, a California limited liability company, acts as the general partner of Balmoral Management. Balmoral Management is primarily owned by Jonathan Victor, Samuel Victor and Robin Nourmand.

For more detailed information on the services Balmoral Management and its affiliates provide to the Funds and the underlying portfolio companies, please refer to the Funds' Offering Documents.

ITEM 5 - FEES AND COMPENSATION

Each General Partner receives a management fee and a carried interest in connection with its advisory services. Each General Partner or other Balmoral entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Private Investment Funds and such additional compensation may offset in whole or in part the management fees otherwise payable to the General Partner. Investors in the Private Investment Funds also bear certain fund expenses, which are outlined in each Fund's Offering Documents and should be read carefully prior to investing.

Management Fees

Each Fund pays its General Partner a management fee based upon committed capital during the investment period (generally, five years) and based upon invested capital thereafter. The General Partner is entitled to collect its management fee from the Funds at the beginning of each calendar quarter. In some cases, the management fee is subject to reduction or waiver in connection with the receipt by the General Partner or its affiliates of fees paid by actual or prospective portfolio companies.

As permitted under the BSSF II partnership agreement, Balmoral Management has discretion to waive or agree to reduce the management fee. Any such waived or reduced portion of the management fee reduces the amount of capital Balmoral Management would otherwise be required to contribute to BSSF II. The limited partners of BSSF II may be required, at the

discretion of the Fund's General Partner, to make a *pro rata* contribution according to their respective commitments to fund any contribution that would otherwise be required of Balmoral Management in connection with any such waiver or reduction. Waived or reduced management fees are not subject to the Management Fee offsets described above.

As permitted under the BSSF III partnership agreement, BM III has elected to waive the management fee it charges to BSSF III in an amount equal to 35% of the commitment of the general partner (BM III). Such waived portion of the management fee reduces the amount of capital BM III would otherwise be required to contribute to BSSF III. The limited partners of BSSF III are required to make *pro rata* contributions according to their respective commitments to fund any such contribution that would otherwise be required of BM III in connection with such waiver.

Management fees are payable in advance of the services rendered. If the advisory agreement or a Fund is terminated before the end of the applicable period, management fees 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.

The Management Fee is generally reduced by a portion of: (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. The remaining amount of such fees received by the applicable General Partner without offset against the Management Fee are hereinafter referred to as "Supplemental Fees." Balmoral Management and/or its affiliates generally have discretion over whether to charge such fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation gives rise to potential conflicts of interest between the Funds, on the one hand, and Balmoral Management and/or its affiliates on the other hand. Portfolio company-related fees may also include amounts prepaid in anticipation of future services or otherwise accelerated in certain situations (*e.g.*, an initial public offering), which will be offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement. Furthermore, a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee allocable to another entity, including, if applicable, a co-investment vehicle.

Carried Interest

Each General Partner is entitled to a carried interest with respect to its respective Fund equal to a percentage of all realized profits, as defined in each Fund's Offering Documents, subject to a preferred return, with a related General Partner catch-up provision in certain instances. Any carried interest distributed to Balmoral Management and BM III is subject to a potential giveback at the end of life of BSSF II and BSSF III, respectively, if Balmoral Management and/or BM III have received excess cumulative distributions.

Carried interest arrangements create a potential conflict of interest since there is an incentive for the General Partner to take more risk than it would absent such arrangements in order to seek higher returns. However, as outlined in the Funds' Offering Documents, there are certain hurdles that must be achieved in order for the General Partner to receive any carried interest, which

mitigates such potential conflicts of interest. In addition, Balmoral Management and the General Partners, as fiduciaries must act in the best interest of the Funds.

It is expected that any future Private Investment Funds will have a similar fee structure

Operating Expenses

In addition to the management fee and carried interest payable to the General Partner, each Private Investment Fund bears certain expenses. As set forth in the applicable Partnership Agreement, each Private Investment Fund bears all expenses to the extent not paid by portfolio companies, including legal, accounting and auditing, investment banking, travel, consulting, research, brokerage, finder's fees, custody, transfer, registration, insurance, advisory board, interest, taxes, extraordinary expense and other similar fees and expenses, but not Balmoral Management expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses.). Each Private Investment Fund bears certain organization and fundraising expenses, subject to the limits set forth in the respective Partnership Agreement. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

Other Information

Balmoral Management has the discretion to exempt certain investors in the Private Investment Funds from payment of all or a portion of management fees and/or carried interest, including for Balmoral Management, BM III and any Affiliated Investor, as defined in the Offering Documents. Any such exemption from fees and/or carried interest is permitted to be made by a direct exemption, a rebate by Balmoral Management and/or its affiliates, or through other Private Investment Funds which co-invest with the Private Investment Funds.

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

As part of their overall compensation, certain principals or other employees of Balmoral Management receive a portion of the Management Fee, carried interest or other compensation received by Balmoral Management or its affiliates. In addition, the General Partner of the Funds is permitted to enter into side letters with certain investors. Please refer to Item 4 for details.

Both Jonathan Victor and Robin Nourmand have ownership interests in entities (namely, the general partners of the respective funds) that provide monitoring and consulting services to the underlying portfolio holding companies and operating companies owned by the various Private Investment Funds. The services include providing experience and expertise in connection with evaluating, executing and financing transactions, as well as development and implementation of strategic planning for the various portfolio holding companies and operating companies. These services provide certain benefits to the Balmoral Private Investment Funds, but they also create conflicts of interest since the entities in which Jonathan Victor and Robin Nourmand have ownership interests in, receive compensation for such services. The compensation received

consists of an annual flat fee, paid quarterly, as well as a percentage-based fee based on the portfolio companies' EBITDA (subject to annual maximum amounts).

To mitigate the conflicts outlined above, the compensation paid to the affiliated companies is applied (up to 100%) to reduce the Management Fee charged to the Private Investment Funds. In addition, Balmoral Funds has written policies and procedures to identify and address conflicts of interest.

Balmoral Management has an arrangement with a placement agent who has introduced certain potential investors to the BSSF II. In lieu of receiving a referral fee, the placement agent made a \$1 million capital commitment to Balmoral Management and will receive a portion of the carried interest paid to Balmoral Management by investors in BSSF II.

For more detailed information on the fees and compensation received by Balmoral Management and its affiliates from the Funds and the underlying portfolio companies, please refer to the Funds' Offering Documents.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," Balmoral Management receives a carried interest allocation on certain realized profits in each of the Private Investment Funds. Balmoral Management does not advise Private Investment Funds not subject to a carried interest, although it has the discretion to waive carried interest with respect to certain affiliated investors as described under "Fees and Compensation."

Please refer to Item 5 above for further details regarding details regarding carried interest, including the applicable conflicts of interest.

ITEM 7 - TYPES OF CLIENTS

As outlined in Item 4, Balmoral Management provides investment advice to the Private Investment Funds. The Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Balmoral Management and its affiliates.

Each Private Investment Fund has a minimum investment amount for third-party investors, and interests are offered and sold solely to qualified purchasers and/or accredited investors. Such minimum investment amounts vary, are outlined in each Fund's respective Offering Documents and may be waived by Balmoral Management.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Balmoral Management is a private investment firm focused on leveraged buyouts, equity, debt and other investments in market-leading companies believed to benefit from Balmoral's in-house operating professionals and experience. Balmoral Management's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted.

Balmoral Management's investment strategy for the Private Investment Funds focuses on the acquisition of controlling or significant minority interests in companies that Balmoral Management believes have strong market positions or franchise value but with poor performance, significant operating challenges, inadequate or incomplete management or in out-of-favor industries. Balmoral Management generally invests in companies that have significant market share, brand or franchise value, competitive advantages and/or barriers to entry. As a result of the above factors, Balmoral Management aims to purchase for the Private Investment Funds good quality (but perhaps challenged) businesses at valuations Balmoral Management believes to be low relative to underlying potential. Balmoral Management focuses on investments that require equity capital of approximately \$5 million to \$30 million, although the required capital may be greater or less than such amounts.

Once an investment opportunity has been identified, Balmoral Management seeks to implement an effective operating strategy to improve the performance of the acquired company by (i) developing restructuring and operating plans, (ii) building the management team and (iii) providing significant resources to portfolio companies.

Potential investors should be aware that investing in securities involves a significant degree of risk. There can be no assurance that Balmoral Management will achieve the investment objectives of the Private Investment Funds and a loss of investment is possible. Potential and existing investors are advised to review the offering materials and other documents for each Fund for details on each Fund's investment, operational and other actual and potential risks.

Investment and Operating Strategy

The applicable investment and operating strategy for each Private Investment Fund is fully outlined in each Fund's Offering Documents. Investors should read the Offering Documents carefully to understand the investment objectives and strategies of the Fund(s) they are investing in.

Risks of Investment

Below is a list of risks that are applicable to each Private Investment Fund. Each existing and prospective investor should be aware of certain risk factors, which include, but are not limited to, the below. The risks associated with each Fund are outlined in their respective Offering Documents that should be reviewed in order to understand all applicable risks.

1. *Business Risks.* Each Fund's investment portfolio will consist primarily of securities issued by privately held unseasoned companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.
2. *Future and Past Performance.* The performance of the Balmoral's prior investments is not necessarily indicative of future results. While Balmoral intends to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.
3. *Investment in Junior Securities.* The securities in which the Balmoral invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.
4. *Concentration of Investments.* Each Fund participates in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return.
5. *Lack of Sufficient Investment Opportunities.* The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay annual management fees during the investment period based on the entire amount of their commitments.
6. *Dynamic Investment Strategy.* While Balmoral generally intends to seek attractive returns primarily through making control-oriented, operationally-focused investments in businesses undergoing some level of stress as described herein, Balmoral may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Balmoral may pursue investments outside of the industries and sectors in which Balmoral has previously made investments or has internal operational experience.
7. *Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating each Fund (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.
8. *Leveraged Investments.* Each Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular

investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund invests generally will not be rated by a credit rating agency.

9. *Focus on Early-Stage and Start-Up Investments.* Each Fund may make investments primarily in start-up and early-stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund will be successful.
10. *Limited Transferability of Partnership Interests.* There will be no public market for the Fund's partnership interests, and none is expected to develop. There are substantial restrictions upon the transferability of partnership interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of partnership interests are not permitted. In addition, partnership interests are not redeemable.
11. *Restricted Nature of Investment Positions.* Generally, there will be no readily available market for partnership investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners.
12. *Reliance on the General Partner and Portfolio Company Management.* Control over the operation of each Fund is vested with the General Partner, and the Fund's future profitability depends largely upon Balmoral's business and investment acumen. The loss or reduction of service of one or more of the Balmoral's principals could have an adverse effect on the Balmoral's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Fund will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities. Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although Balmoral generally intends to invest in companies with strong management or recruit

strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

13. Limited Operating History. There can be no assurance that each Fund's investments will achieve results similar to those attained by Balmoral's previous investments. In addition, new investments may differ from Balmoral's previous investments in a number of respects.
14. Projections. Projected operating results of a company in which the Balmoral invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.
15. Conflicting Investor Interests. Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in one or more of the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner generally will consider the investment and tax objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.
16. Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have. Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation could adversely affect Balmoral Management, its principals, employees or other individuals associated with Balmoral or the General Partner who were or may in the future be

granted direct or indirect interests in the General Partner entitling such persons to benefit from carried interest. This may reduce such persons' after-tax returns from the Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Partnership.

17. *Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund ownership in a portfolio company if a third party invests in such portfolio company.
18. *Non-U.S. Investments.* The Partnership may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Partnership), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Partnership and/or the Partners with respect to the Partnership's income, and possible non-U.S. tax return filing requirements for the Partnership and/or the Partners. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.
19. *Significant Adverse Consequences for Default.* The Private Investment Funds' Partnership Agreements provide for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting limited partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.
20. *General Partner's Carried Interest.* The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments than otherwise would be the case.
21. *Transfer by General Partner.* To the extent the General Partner, its partners, principals and/or their respective affiliates commit to make an investment in the Fund, a

- participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.
22. *Non-controlling Investments.* A Fund may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.
 23. *Director Liability.* Each Fund will often obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.
 24. *Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes, and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Private Investment Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Private Investment Funds make investments.
 25. *Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in public markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.
 26. *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* A deterioration of the global credit markets may make it more difficult for investment funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets

- and a rise in interest rates, can dramatically reduce investor demand for high yield debt and senior bank debt, which in turn may lead some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. Balmoral's ability to generate attractive investment returns may be adversely affected to the extent favorable financing terms for its investments are unavailable. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the Balmoral's ability to realize its investments at favorable times or for favorable prices.
27. *Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Balmoral or one of its service providers holding its financial or investor data, Balmoral, its affiliates or the Funds may also be at risk of loss.
28. *Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks and may also affect the diversification and management of such Fund's portfolio of investments.
29. *Hedging Arrangements; Related Regulations.* Each General Partner may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other

instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the relevant General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

30. Unfunded Pension Liabilities of Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although Balmoral intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of a Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Conflicts of Interest

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that are faced by a Fund. Other conflicts are also disclosed throughout this brochure and in the respective Fund's Offering Documents, which should be read in their entirety.

During a Fund's investment period, the principals of Balmoral will pursue all appropriate investment opportunities that it finds that meet such Fund's investment criteria for the benefit of such Fund, subject to certain exceptions set forth in the Partnership Agreement. However, Balmoral's principals currently manage several Private Investment Funds and investments similar to those in which a Fund will be investing and may direct certain relevant investment opportunities to those investment funds and investments. The principals and investment staff of Balmoral will continue to manage and monitor such investment funds and investments, although the principals expect that the time required to do so will be less than will be spent on the most recent Funds'

matters. Balmoral believes that the significant investment of its principals in a Funds, as well as their interest in the carried interest, operate to align, to some extent, their interest with the interest of the limited partners, although the former 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 may compete with a Fund or its portfolio companies. At such time as Balmoral is permitted to raise a successor investment fund, its principals will continue to manage the Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to Balmoral's investments. Certain investments may be allocated between a Fund and any successor or predecessor fund in a manner as set forth in the applicable Partnership Agreement.

From time to time, Balmoral may be presented with investment opportunities that would be suitable not only for the Private Investment Funds, but also for other funds and other investment vehicles operated by advisory affiliates of Balmoral. In determining which investment vehicles should participate in such investment opportunities, Balmoral and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Balmoral attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by Balmoral Management's advisory affiliates to investors in investment vehicles managed by them and attempts to allocate investment opportunities among the Private Investment Funds, other funds and such investment vehicles in a fair and equitable manner. Where necessary, Balmoral Management consults and receives consent to conflicts from an advisory committee consisting of limited partners of the applicable Private Investment Fund and such other investment vehicles.

Because Balmoral's carried interest is based on a percentage of net realized profits, it creates an incentive for Balmoral to cause a Private Investment Fund to make riskier or more speculative investments than would otherwise be the case. Since Balmoral is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with the Private Investment Fund investments, there exists potential for a conflict of interest in connection with approving transactions and setting such compensation. Balmoral manages such conflicts by partially offsetting the management fee with such fees.

As a result of the Funds' controlling interests in portfolio companies, Balmoral Management and/or its affiliates typically have the right to appoint and/or serve as board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Balmoral Management and/or its affiliates. Balmoral Management and/or its affiliates also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds. Additionally, Balmoral Management, its affiliates and/or personnel maintain relationships with (and in some cases invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Balmoral Management and/or its affiliates, and/or the Funds or other investment vehicles they may advise. In addition, portfolio companies, from time to time, pay certain fees to third party consultants (including consultants introduced or arranged by Balmoral Management and/or its affiliates that may regularly provide services to one or more Fund portfolio companies), and such fees generally will not offset the Management Fee as described herein. Any of these

situations subjects Balmoral Management and/or its affiliates to conflicts of interest. As a fiduciary to the Funds, Balmoral Management must put the interest of the Funds' ahead of its own and those of its employees and affiliates.

ITEM 9 - DISCIPLINARY INFORMATION

Balmoral Management and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Funds are organized as limited partnerships and the general partners are Balmoral Management and certain of its affiliates (please refer to Form ADV Part 1, Item 7.B(1) Schedule D for details on each Fund, including the name of their respective General Partners). These roles and affiliations create potential and actual conflicts of interest, which Balmoral Management has addressed in a number of ways. Please see Items 4, 5, 8, 12 & 15 for further information regarding these roles, the applicable conflicts and how we address such conflicts, in addition to the Offering Documents of each Fund.

While each managing principal of Balmoral Management devotes as much time to the business and affairs of the firm as is reasonably necessary to perform their respective duties and ensure the delivery of the services described in this Form ADV Part 2A, they do devote a portion of their time to the affairs of the firm's affiliates and other non-affiliated companies where they have an ownership interest. This creates a potential conflict of interest due to the fact that their obligations to the other entities take time away from their obligations at Balmoral Management. However, their roles with the affiliated companies all surround performing services to the Funds, which mitigates the potential conflict. For additional detailed information on the ownership interests of the firm's principals, including the percentage of time and income derived from these interests, please refer to each principal's Form ADV Part 2B.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Balmoral Management has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of Balmoral's principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Balmoral's personnel to report their personal securities transactions, prohibits or requires pre-clearance for Balmoral's personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Balmoral's personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Balmoral's Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to Luke Mau, the Chief Compliance Officer, at (310) 473-3065. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Balmoral Management and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Balmoral Management and its affiliated persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Balmoral Management.

Accordingly, should Balmoral Management or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Balmoral Management is prohibited from communicating such information to clients, and Balmoral Management will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Balmoral personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Private Investment Funds

Principals and employees of Balmoral Management and its affiliates are permitted to invest in the Funds; however, currently none are invested. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Private Investment Funds.

The Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of Balmoral Management in the manner set forth in the Partnership Agreement. Balmoral Management and its affiliates will determine the allocation of investment opportunities in a manner that they believe fair and equitable to their clients consistent with their obligations and may take into consideration factors such as a client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions.

Balmoral Management and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Private Investment Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Private Investment Funds, even though their investment objectives may be the same or similar.

ITEM 12 - BROKERAGE PRACTICES

As a private equity firm, from time to time Balmoral may engage registered broker dealers to assist us in selling one of our privately-held portfolio companies or in selling public securities of our portfolio companies. In the event we choose a broker-dealer, we seek to obtain the best execution of transactions. To the extent we would aggregate orders for purchase and sale (which would only be if we believe it is in the best interest of the Funds), we will aggregate such orders as we deem appropriate and in accordance with each Fund's Partnership Agreement and in the best interest of each Fund.

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 and the quality of investment research. Generally, we get competing bids and compare them to current market prices.

ITEM 13 - REVIEW OF ACCOUNTS

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

Each Fund provides to its limited partners (i) annual audited and quarterly unaudited financial statements, prepared in accordance with each Fund's Offering Documents, (ii) annual tax information necessary for each limited partner's tax return, (iii) a quarterly statement of each partner's capital account and (iv) annual reports providing a narrative summary of the status of each portfolio company investment.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Balmoral, from time to time, provides certain business and/or consulting services to companies in the Private Investment Funds' portfolio and receives compensation from these companies in connection with such services. As described in each Fund's Offering Documents, this compensation is, in many cases, offset against a portion of the Management Fees charged by the Fund that owns an interest in the portfolio company. In addition, Balmoral receives reimbursements for out-of-pocket expenses directly related to a portfolio company that are in addition to the Management Fee.

Balmoral and certain of its affiliates have agreements in place with certain non-affiliated firms and individuals to provide potential investment opportunities for investment by the appropriate Private Investment Fund. The compensation is determined on a negotiated basis and outlined in each agreement. The compensation is paid by the investing Fund.

In addition, certain employees of Balmoral and/or its affiliates share in the management fees and/or carried interest charged to the Private Investment Funds. For additional information, please refer to Items 5 and 8 above.

For more detailed information on the fees and compensation paid to Balmoral Management and its affiliates by the Funds and the underlying portfolio companies, please refer to the Funds' Offering Documents.

ITEM 15 - CUSTODY

Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, Balmoral Management is deemed to have custody of the Private Funds' assets since it and its affiliates serve as General Partners to the Funds. In accordance with the requirements of 206(4)-2, each of the Funds receive

annual audits of their financial statements performed by an independent public accountant that is registered with, and subject to examination the Public Company Accounting Oversight Board (PCAOB). Copies of the annual audited financial statements are distributed copies to all Funds' investors within 120 days of each Fund's fiscal year end. Upon full liquidation, the liquidating Fund's financial statements will be audited and distributed to all investors promptly after the completion of such audit.

ITEM 16 - INVESTMENT DISCRETION

Balmoral generally has the discretionary authority to make all investment decisions on behalf of the Private Investment Funds. Each Fund's Offering Documents generally impose some limitations on our investment discretion, which limitations can only be waived by the Fund's limited partners. Balmoral assumes this discretionary authority pursuant to the terms of the Offering Documents and powers of attorney executed by the limited partners of the applicable Fund. Please note investment advice is provide directly to the Funds and not individually to the investors in the Funds.

Pursuant to the terms outlined in the partnership agreement, Balmoral can enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Private Investment Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Please refer to Items 4 and 5 above for further information.

ITEM 17 - VOTING CLIENT SECURITIES

Balmoral's clients are Private Investment Funds that invest in privately held companies, which do not issue proxies. Therefore, Balmoral's general policy is to not vote proxies.

ITEM 18 - FINANCIAL INFORMATION

Balmoral Management does not require prepayment of more than \$1200 in management fees, six months or more in advance, nor does it have any other events requiring disclosure under this item of the Brochure.