

**INVESTMENT ADVISER BROCHURE**

**ALDRICH CAPITAL PARTNERS LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Aldrich Capital Partners LLC (“Aldrich”). If you have any questions about the contents of this Brochure, please contact us at 703-376-3570. 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.**

Aldrich 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 Aldrich is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## MATERIAL CHANGES

Aldrich filed its most recent Form ADV Part 2 on September 9, 2019. This annual amendment updates the assets under management and the description of certain business practices of Aldrich and its affiliates.

## ADVISORY BUSINESS

Aldrich, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Aldrich commenced operations in September 2014.

Aldrich's clients include Aldrich Capital Partners Fund, LP and Aldrich Capital Partners Fund A, LP (each, a "**Fund**," and together with any future private investment fund to which Aldrich or its affiliates provide investment advisory services, the "**Funds**"). Aldrich also manages the following: (i) three co-investment vehicles, ACP 2018 SPV 1, LLC ("**Co-Invest Vehicle 1**"), ACP 2019 SPV 1, LLC ("**Co-Invest Vehicle 2**") and ACP 2019 SPV 2, LLC ("**Co-Invest Vehicle 3**") (ii) three special purpose vehicles: ACP 2016 SPV 1, LLC ("**SPV 1**"), ACP 2015 SPV 2, LLC ("**SPV 2**") and ACP Cyber Security Partners, LLC ("**SPV 3**," and together with Co-Invest Vehicle 1, Co-Invest Vehicle 2, Co-Invest Vehicle 3, SPV 1 and SPV 2, the "**SPVs**"). Each of SPV 1, SPV2 and SPV3 were formed prior to the Funds to hold a single subsidiary portfolio company (as defined below).

The following general partner and manager entities are affiliated with Aldrich:

- Aldrich Fund I GP, LP ("**General Partner**")
- ACP 2016 Principal SPV 1, LLC ("**Principal SPV 1**")
- ACP 2015 Principal SPV 2, LLC ("**Principal SPV 2**")
- ACP Cyber Principal SPV, LLC ("**Cyber Principal**")

(each a "**Manager**," and collectively with Aldrich, the "**Advisers**").

Each Manager is subject to the Advisers Act pursuant to Aldrich's registration in accordance with SEC guidance. This Brochure also describes the business practices of the Managers, which operate as a single advisory business together with Aldrich.

The Funds and SPVs are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as "**portfolio companies**." Aldrich's investment advisory services to the Funds and SPVs consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals (the "**Principals**") or other personnel of Aldrich or its affiliates generally serve on such portfolio companies' respective boards

of directors or otherwise act to influence control over management of portfolio companies in which the Funds and SPVs have invested.

The Advisers' advisory services to the Funds and SPVs are detailed in the relevant private placement memoranda or other offering documents (each, a "**Memorandum**"), limited partnership agreements, limited liability company agreements or other operating agreements or governing documents (each, an "**Operating Agreement**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Operating Agreement, although SPV investors only participate in the single investment made by each SPV. For the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between the Advisers and any investor. The Funds and SPVs or the Advisers generally enter into side letters or other similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the Operating Agreement with respect to such investors.

From time to time and as permitted by the Operating Agreement, the Advisers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including Operating Advisors (as defined below) and other consultants, service providers, finders, other sponsors and market participants, the Advisers' personnel and/or certain other persons associated with the Advisers and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund or SPV making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund or SPV) purchases a portion of an investment from one or more Funds or SPVs after such Funds or SPVs have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund or SPV investor capital contributions and/or use of a Fund or SPV credit facility. Any such purchase from a Fund or SPV by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment and the co-investor or co-invest vehicle generally will be charged interest on the purchase (or otherwise equitably to adjust the purchase price under certain conditions) to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2019, Aldrich managed approximately \$469,889,858 in client assets on a discretionary basis. Aldrich is owned by Mirza Baig and Raheel Zia.

## **FEES AND COMPENSATION**

In general, Aldrich and/or its affiliates receive a management fee and a carried interest in connection with advisory services. Aldrich or its related entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and SPVs, and such additional compensation from Fund (but not SPV) portfolio companies will offset in whole or in part the management fees otherwise payable to Aldrich by the Funds. In addition, in certain circumstances the Advisers are eligible to receive

compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds and SPVs. Investors in a Fund also bear certain expenses.

## **Management Fees; Carried Interest**

### *Funds*

The Funds will pay Aldrich, quarterly in advance, a management fee (the “**Management Fee**”) equal to 2% on an annual basis of aggregate Fund investor capital commitments made by investors not designated by the General Partner in its sole discretion as “affiliated partners” (as discussed below). Commencing with the first Management Fee due date after the expiration of the investment period or earlier upon the occurrence of certain events as set forth in the Operating Agreements, the Management Fee will equal 2% of (i) the aggregate investment contributions by investors that are not designated as “affiliated partners,” less (ii) the aggregate amount of investment contributions by investors that are not designated as “affiliated partners” with respect to the portion of each investment that has been disposed of or completely written-off for U.S. federal income tax purposes, as further described in the Operating Agreements. The Management Fee for a given Fund will commence as of the later of the Fund’s initial closing date and the date of which the General Partner has commenced identifying and investigating new investment opportunities for the Fund. Investors participating in a subsequent closing will be assessed Management Fees retroactive to such date. The Management Fee will be payable throughout the life of the Fund, as described in the Operating Agreements. Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a pro rata basis according to the actual number of days in such period.

As further described in the Funds’ Operating Agreement, the Funds’ Management Fee will be reduced (but not below zero) by an amount equal to the non-“affiliated partner” percentage (*i.e.* the fraction of the aggregate capital commitments of all partners other than “affiliated partners” over the aggregate capital commitments of all partners) of the following: (a) until the aggregate amount of investment banking fees, commitment fees, directors’ fees, financial consulting fees, advisory fees, certain break-up fees and other similar fees paid to the General Partner with respect to Fund investments or prospective investments (“**Supplemental Fees**”) not applied to reduce Management Fees in the given calendar year equals \$1 million, 80% of Supplemental Fees, and (b) thereafter for the remainder of such calendar year, 100% of Supplemental Fees. Supplemental Fees do not include any amount received by the General Partner, the Operating Advisors or other persons from a portfolio company (or prospective investment) as reimbursement for expenses directly related to such portfolio companies (or prospective investments), as payment for services provided to any portfolio company in the ordinary course of such company’s business, as compensation for services provided by the General Partner or other person as an employee or similar role for such portfolio company, as compensation paid to Operating Advisors, or any fees or other amounts with respect to other investments or portion thereof held by a person or entity other than a Fund, including SPV portfolio companies in which the Funds also hold an interest, as set forth more fully in the Fund’s Operating Agreement.

As a matter of practice, Aldrich is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. To the extent specified in the applicable Operating Agreement, the receipt of such fees will reduce the

Management Fee payable by any Fund(s) that have also invested in such investment to the extent that such Fund(s) have Management Fee payable to offset against (and subject to the terms of applicable Operating Agreement), otherwise, the receipt of such fees with respect to co-investors in an investment will not reduce the Management Fee payable by any Fund and a Fund will only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to co-investors. Supplemental fees offsets generally are performed on a net basis, after giving effect to taxes and other expenses in connection with the receipt of such fees or the provision of related services.

Additionally, as further described below and in the Memorandum and Operating Agreement of the Fund, it is the Advisers' practice to retain certain Operating Advisors to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such Operating Advisors generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Management Fee.

The Funds' Operating Agreements generally permit Aldrich to waive or reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Operating Agreements as a deemed capital contribution by the General Partner, which is effectively invested in the Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Fund. The investors (other than "affiliated partners") of the Funds would, in such circumstances, be required to make a *pro rata* contribution according to their respective commitments to fund any contribution that would otherwise be required of Aldrich in connection with any such waiver or reduction as described above and, as a result, the exercise of such Management Fee waiver may result in an acceleration (or delay) of investor capital contributions that otherwise would have been funded with respect to Management Fees. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by Aldrich and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in the Funds, resulting in a net additional benefit to the Adviser.

The General Partner will receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in the Operating Agreement. The carried interest distributed to Aldrich is subject to a potential giveback at the end of life of the Fund if Aldrich has received excess cumulative distributions. Certain "affiliated partners" may be exempted from bearing all or a portion of the carried interest.

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

*SPVs*

SPV 1

The portfolio company held by SPV 1 pays Principal SPV 1 a Management Fee quarterly in advance based on a percentage of the earnings before interest, taxes, depreciation and amortization of such portfolio company, subject to a minimum flat amount and a maximum amount

not to exceed 2% of the total investment made by SPV 1 in the portfolio company, as more fully described in the SPV 1 Operating Agreement. The Management Fee will be payable until the final distribution of SPV 1 assets, except under limited circumstances. Principal SPV 1 also will receive a carried interest with respect to SPV 1 equal to 15% of distributable amounts of cash or other assets (including interest, dividends and similar income from the portfolio company), subject to a 8% compound preferred return and a “catch-up” provision whereby Principal SPV 1 is allocated a majority of distributions until it has received cumulative distributions equal to 15% of aggregate distributions, as more fully described in the Operating Agreement. Any Supplemental Fees or similar amounts received by Principal SPV 1 do not offset the Management Fee.

## SPV 2

The portfolio company held by SPV 2 pays Principal SPV 2 a Management Fee quarterly in advance, which shall not exceed the lesser of 2% of an amount equal to the total investment made by SPV 2 and a specified flat amount, as more fully described in the SPV 2 Operating Agreement. The Management Fee will be payable until the final distribution of SPV 2 assets. Principal SPV 2 also will receive a carried interest with respect to SPV 2 equal to 20% of distributable amounts of cash or other assets (including interest, dividends and similar income from the portfolio company), subject to a 10% compound preferred return and thereafter additional hurdles and “catch-up” provisions whereby Principal SPV 2 is allocated a majority of distributions until it has received cumulative distributions equal to certain specified percentage thresholds, as more fully described in the Operating Agreement. Any Supplemental Fees or similar amounts received by Principal SPV 2 do not offset the Management Fee. One investor and its affiliate pay the foregoing fees pursuant to a participation agreement.

## SPV 3

SPV 3 does not pay a Management Fee or incur carried interest. Any distributions are made to Cyber Principal and/or its affiliates pro rata based on the percentage of SPV 3 interests it holds.

## *Co-Invest Vehicles*

### Co-Invest Vehicle 1

The portfolio company held by the Co-Invest Vehicle 1 pays Aldrich a Management Fee quarterly in advance, which shall not exceed 2% of total invested capital in the portfolio company, as more fully described in the Co-Invest Vehicle Operating Agreement. The Management Fee will be payable until the final distribution of Co-Invest Vehicle assets. Any Supplemental Fees or similar amounts received by Aldrich do offset the Management Fee. Co-Invest Vehicle 1 does not incur carried interest.

### Co-Invest Vehicle 2

The portfolio company held by the Co-Invest Vehicle 2 pays Aldrich a Management Fee quarterly in advance, which shall not exceed 2% of total invested capital in the portfolio company, as more fully described in the Co-Invest Vehicle Operating Agreement. The Management Fee will be payable until the final distribution of Co-Invest Vehicle assets. Any Supplemental Fees or

similar amounts received by Aldrich do offset the Management Fee. Co-Invest Vehicle 2 does not incur carried interest.

### Co-Invest Vehicle 3

The portfolio company held by the Co-Invest Vehicle 3 does not pay Aldrich a Management Fee or carried interest.

### Other Information

Aldrich is permitted to exempt certain investors in the Funds and SPVs from payment of all or a portion of Management Fees and/or carried interest, including persons designated as “affiliated partners,” Aldrich and its affiliates and any other person so designated by Aldrich (whether or not an affiliate of Aldrich). The General Partner reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by Aldrich and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an Adviser professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the Operating Agreement, certain Managers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant Manager or other vehicles that do not bear Management Fees or carried interest. Aldrich retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor’s capital account(s).

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

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

In addition to the Management Fee and carried interest payable to the Adviser, the Funds and SPVs bear certain expenses. As set forth in the Memorandum and/or Operating Agreement, a Fund or SPV bears all fees, costs, expenses, liabilities and obligations relating to its (and its subsidiaries’ and intermediate entities’) activities, investments and business to the extent not borne or reimbursed by a portfolio company or applied to reduce Management Fees, including: (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, financing, refinancing, managing, operating, holding, taking public or private, valuing, winding up, liquidating, dissolving and disposing of the investments (including interest and fees on money borrowed by the Funds and SPVs or the Advisers on behalf of the Funds and SPVs (including interest and fees on money borrowed by the Funds under any subscription or capital call line of credit or other similar borrowing facility), registration expenses, compensation for services provided by the Operating Advisors, commitment, real estate title, survey, brokerage, finders’, custodial and other fees), (ii) legal, accounting, administration, custodian, depositary, auditing,



insurance (including directors and officers and errors and omissions liability insurance), travel (including business-related meal and entertainment expenses), litigation and indemnification costs and expenses, judgments and settlements, consulting (including consulting and retainer fees paid to the Operating Advisors), brokerage, finders', financing, appraisal, third party valuation, filing, printing, title, transfer, registration and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of the Funds' and SPVs' financial statements, tax returns, tax estimates and Schedule K-1s or any other administrative, regulatory or other Fund- or SPV-related reporting or filing (including Form PF and any Fund- or SPV-related filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation and including expenses of any third-party administrator and any investor reporting software), (iii) fees, costs and expenses of the Advisory Board (as defined in the applicable Operating Agreement), (iv) all fees (including break-up or topping fees), costs, expenses, liabilities and obligations relating to investment and disposition opportunities for the Funds and SPVs not consummated ("**Broken Deal Expenses**") including Broken Deal Expenses relating to transactions that may have been offered to co-investors, legal, accounting, auditing, insurance, travel (including business-related meal and entertainment expenses), consulting (including consulting and retainer fees paid to the Operating Advisors), brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses), (v) all out-of-pocket fees, costs and expenses incurred in connection with the annual and other periodic (if any) meetings of the investors and any other conference or meeting with any investor(s), (vi) any taxes, fees and other governmental charges levied against the Funds and SPVs, extraordinary expenses (such as litigation, indemnification, judgments and settlements, if any), (vii) and all fees, costs and expenses incurred in connection with alternative investment vehicles. The Funds and SPVs also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of the Advisers and/or their affiliates. Generally included in the expenses permitted to be borne by a Fund or SPV are the fees, costs, expenses, liabilities and obligation of legal counsel consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships, agreements or arrangements relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational administrative, tax or other reasons charged at the level of an intermediate holding company between the relevant Fund or SPV and the portfolio company. Excluded from Fund and SPV expenses are ordinary administrative and overhead expenses of the Advisers incurred in connection with maintaining and operating the Advisers' offices including employees' salaries, rent and equipment expenses as specified in the Operating Agreement. As is typical for private equity funds, the Funds and SPVs likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

As described above, in certain circumstances, the relevant Manager is expected to permit certain investors to co-invest in portfolio companies alongside the Funds and SPVs, subject to Aldrich's related policies and the Operating Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds and SPVs. In the event that a

transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or otherwise would be beneficial to the transaction, ultimately is not consummated, all Broken Deal Expenses relating to such unconsummated transaction generally will be borne by the Funds or SPVs, and not by any potential co-investors, that were to have participated in such transaction (except for any co-investment vehicles, as discussed above). However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

Aldrich and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds and SPVs, on the one hand, and Aldrich and/or its affiliates on the other hand.

### **Operating Advisors**

Additionally, as further described herein and in the Memorandum and/or Operating Agreement, it is Aldrich's practice to retain operating advisors and from time to time other consultants (collectively, the **"Operating Advisors"**) to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Advisors generally provide services in relation to sales, marketing, customer support, business development, technology, acquisition integration/rationalization, financial operations, human resources and/or other operations services, acquisition or other due diligence, or similar services. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating Advisors receive compensation, including, but not limited to a cash fees, retainers, profits or equity interest in a portfolio company, incentive equity or stock awards, remuneration from the Advisers and/or its Funds or affiliates, or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Advisors, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating Advisors also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset or reduce the Management Fee and Operating Advisor compensation is not otherwise covered by the Management Fee. The use of Operating Advisors subjects the Advisers to potential conflicts of interest, as discussed under "Conflicts of Interest," below.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under "Fees and Compensation," Aldrich and/or its affiliates receive a carried interest allocation on certain realized profits and/or other distributions from the Funds. Certain SPVs are not charged a Management Fee and/or performance-based compensation, or are charged performance-based compensation in lower percentages or with higher preferred return amounts that must be met before Aldrich is compensated. This practice could present a conflict of interest

because Aldrich has an incentive to favor accounts for which it receives the highest performance-based compensation. Aldrich also generally has the authority to waive carried interest with respect to certain investors as described under “Fees and Compensation.” Aldrich does not believe managing SPVs that have lower or no Management Fees and performance-based fees causes a material conflict of interest because the Principals are expected to have an economic interest in each SPV portfolio company through the SPVs or the Funds. In addition, each SPV only holds one investment and is not expected to make future investments in accordance with its governing documents, and therefore Aldrich intends to allocate future investment opportunities to the Funds because of the SPVs’ investment restrictions rather than Aldrich’s potential to receive performance-based compensation from the Funds.

The existence of performance-based compensation has the potential to create an incentive for the Advisers to make more speculative investments on behalf of a Fund or SPV, as applicable, than it would otherwise make in the absence of such arrangement, although Aldrich generally considers performance-based compensation to better align its interests with those of its investors.

## **TYPES OF CLIENTS**

Aldrich provides investment advice solely to its Fund and SPV clients, and references throughout this Brochure to “clients” and to Aldrich’s related duties to and practices on behalf of its clients and/or investors should be constructed accordingly. The Funds and SPVs generally include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds and SPVs generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, Principals or other employees of Aldrich and its affiliates and members of their families, Operating Advisors or other service providers retained by the Adviser.

The relevant General Partners also generally is permitted from time to time to establish Funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Funds generally have a minimum investment amount of \$5 million for third-party investors. The Adviser is generally permitted to waive such minimum investment amount. The SPVs have varying contribution amounts depending on the particular portfolio company invested in and the number of investors. The Fund and SPV interests are offered and sold solely to accredited investors that generally are also qualified purchasers and/or qualified clients (or qualified knowledgeable Aldrich personnel).

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

Aldrich is a private investment firm focused on growth equity investments in lower middle market companies, primarily in the technology industry. Aldrich's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions of investments. Investments are predominantly of non-public companies although investments in public companies are permitted.

Aldrich generally targets both control and minority investments in private companies that have not previously raised traditional institutional capital, but have validated both the technical viability of their business models and a feasible customer value-proposition, and which also have the characteristics described below. After making an investment Aldrich generally seeks to employ intensive, hands-on collaboration with portfolio companies to drive revenue growth and/or margin expansion.

There can be no assurance that Aldrich will achieve the investment objectives of any Fund or SPV and a loss of investment is possible.

### Investment and Operating Strategy

***Targeted Portfolio Companies.*** Aldrich typically focuses on potential portfolio company investments with the following characteristics: Fundamentally sound business models; founder-owned companies, secondary and tertiary geographies in North America; strong, motivated management teams; and differentiated products or solutions.

***Targeted Investment Structures.*** Investments generally are structured as either significant minority equity stakes or control transactions. Aldrich believes this flexibility allows the Funds and SPVs to match the investment opportunity with the appropriate investment structure. For most investments, Aldrich expects value-creation to be attained through growth in revenues and earnings, coupled with improvements in the underlying operations of the business. Leverage generally is used selectively used to help fund the purchase of an interest in a business, but Aldrich expects that most investments will involve either no leverage or low levels of leverage. Aldrich expects that most investments will be in the form of a senior preferred equity security that is senior to all other classes of equity. As an active, value-added investor, Aldrich anticipates maintaining an active level of engagement with management. Whether Aldrich is a board member or an observer, it intends to be intensively involved with the operations and strategy of the company.

***Proprietary Sourcing and Diligence Infrastructure.*** Aldrich has developed a proprietary sourcing and analytics engine to help identify and diligence investment opportunities. The sourcing infrastructure uses data feeds and proprietary analytics to track various company variables. This infrastructure is maintained and enhanced by a team of researchers, data scientists and statisticians who are full-time employees of Aldrich.

***Diligence and Investment Committee Process.*** Following the identification of an active lead, Aldrich undertakes an underwriting process generally involving extensive diligence and Operating Advisor checks before making an investment. High potential new opportunities will be

discussed with the investment committee frequently to allow Aldrich to move quickly in competitive situations.

***Intensive Operational Value-Add.*** Aldrich utilizes a playbook comprised of methodologies and functional operating frameworks designed to help portfolio companies scale, accelerate revenue growth and expand their earnings power. During the due diligence phase of a potential investment and prior to closing the investment, Aldrich generally develops a comprehensive, customized operating plan that helps prioritize key action items for value-creation. As part of this plan, the key operational levers intended to materially impact a company's business operations are identified. During this period, Aldrich may also engage or consult with its operational specialists to help further understand these key elements of the company's success, and develop a detailed tactical action plan.

***Exit Strategy.*** Prior to making an investment and during its ownership, a key focus of Aldrich is the likely exit scenario. Aldrich continually reviews the progress of a given portfolio company against the action plan at investment to determine the timing and form of its exit. The Principals also consider the future prospects of the company and the degree to which there are additional operational, strategic, or acquisition opportunities. When the decision is reached to move forward with an exit, the Principals generally work closely with management to clearly identify future opportunities for various potential buyers.

## **Risks of Investment**

Each Fund (including for purposes of this section, each SPV) and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Fund include, but are not limited to:

***Business Risks.*** A Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict.

Such investments involve a high degree of business and financial risk that can result in substantial losses.

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

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

***Concentration of Investments.*** Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. The SPVs hold single investments and therefore are highly

concentrated. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, regardless of the extent to which the commitments of the limited partners are invested (or drawn down to the invested), investors will be required to pay Management Fees through the Funds during the investment period based on the entire amount of the investors' commitments, or through the life of the Fund based on the amount invested or a minimum Management Fee amount, as set forth in the relevant Operating Agreement. The investors also will bear other expenses.

*Dynamic Investment Strategy.* While the Advisers generally intend to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant Manager may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Operating Agreement(s). A Manager may pursue investments outside of the industries and sectors in which it has previously made investments or has internal operational experience.

*Growth Equity Transactions.* Aldrich's investment strategy includes targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and some will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Focus on Early-Stage Investments.* It is anticipated that the Funds will make investments in 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 Funds will be successful.

*Risks Inherently Associated with Technology Companies.* Technology companies often face specific risks which the Funds will necessarily also be exposed to by concentrating their investment strategies in such companies. Such risks typically include: (1) rapidly changing science and technologies; (2) new competing products and improvements in existing products which may quickly render existing products or technologies obsolete; (3) scarcity of management, technical, scientific, research and marketing personnel with appropriate training; (4) the possibility of lawsuits related to patents and other intellectual property and their associated rights; and (5) rapidly changing investor sentiments and preferences with regard to technology sector investments.

Many potential portfolio companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that the Funds or a portfolio company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a portfolio company's technologies. Piracy may adversely affect portfolio company revenue and its impact on revenue from outside the U.S. may particularly be significant in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent protection of intellectual property rights. Reductions in the legal protections for software intellectual property rights could also adversely affect portfolio companies.

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

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

*Leveraged Investments.* The Funds may make use of leverage by having a portfolio company incur debt to finance a portion of the investment in such portfolio company, including in respect of companies not rated by credit agencies. Such use of leverage generally magnifies the Funds' risk of loss from a particular investment and increases the portfolio company's exposure to company, industry and economic conditions and changes in interest rates. The cost and availability of leverage is highly dependent on the state of the broader credit markets, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of

debt service, and may impair its ability to finance future operations and capital needs. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which in turn will affect the Funds' returns.

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

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to the investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the applicable Operating Agreement, including the value used to determine the amount of carried interest available to the Managers with respect to such investment.

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

Although the Advisers 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.

*Limited Operating History.* While the Principals of the Advisers have previous experience making and managing investments similar to those contemplated by the Funds, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the Principals. In addition, a Fund's investments may differ from previous investments made by the Principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure, and holding period.



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

*Conflicting Investor Interests.* Investors may have conflicting investment, tax, and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Advisers regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Advisers generally will consider the investment and tax objectives of the Funds and their investors as a whole, not the investment, tax, or other objectives of any investor individually.

Each Manager may be presented with opportunities to seek financing and other services in connection with a Funds' investments from certain investors or their affiliates that are engaged in the lending business or other businesses, respectively. This has the potential to subject a Manager to conflicts of interest, because although the Manager selects lending and other service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the Funds, a Manager may have an incentive to pursue financing and other opportunities with certain investors because of its financial or other business interests, including an investor's historical or potential future relationship with the Manager, and Fund investments made or to be made by an investor. There is a possibility that a Manager, because of a belief that an investor will invest or continue to invest in one or more investment funds managed by the Manager or any of its affiliates, or for other reasons, may favor the retention or continuation of lending or other services from such investor even if better rates and/or quality of service could be obtained from another provider. Whether or not a Manager has a relationship or receives financial or other benefit from recommending a particular investor for lending or other services, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at a lower cost.

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

In addition, on December 22, 2017, legislation was enacted containing significant changes to U.S. federal income tax law (the "2017 Tax Legislation"). The 2017 Tax Legislation treats certain allocations of capital gains to service providers by partnerships such as the Funds and SPVs as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for at least three years. This could reduce the after-tax returns

of individuals associated with the Funds, SPVs and the Advisers who were or may in the future be granted direct or indirect interests in the Advisers, which could make it more difficult for the Advisers to incentivize, attract and retain individuals to perform services for the Funds and SPVs. This could also create an incentive for the Advisers' principals to cause the Funds and/or SPVs to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

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

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, an SPV, the relevant General Partner or the Adviser generally will be specified, and in many cases strictly limited, by the Operating Agreements. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's or SPV's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of the Adviser's control. Decisions by the Adviser or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund or SPV may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor the Adviser and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's or SPV's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund or an SPV and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund or SPV succeeds in asserting confidentiality for requested documents and other materials, and the Adviser reserves the right to withhold certain information from investors subject to such laws for reasons relating to the Adviser's public reputation, business strategy or other reasons.

*Non-U.S. Investments.* The Funds 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 risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), 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 Funds and/or the partners

with respect to the Funds' income, and possible non-U.S. tax return filing requirements for the Funds 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 and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (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.

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

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

Certain hedging arrangements may create for a Manager and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Significant Adverse Consequences for Default.* Certain Operating Agreements provide for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the relevant Fund, a defaulting investor 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.

*Dilution.* Investors admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing investors in such investments. Although any such new investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Funds' existing investments at the time of such contributions.

*Managers' Carried Interest.* The fact that the Managers' carried interest, as applicable, is based on a percentage of net profits may create an incentive for the Managers to cause the Fund to

make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

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

*Non-controlling Investments.* The Funds may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Funds at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund hold a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* In certain circumstances, a Fund is expected to receive the right to appoint representatives to the boards of directors of the certain 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. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

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

*Litigation.* In the ordinary course of its business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Advisers' and the Principals' time and attention, and that time and the

devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Advisory Board.* To the extent provided for in the relevant Operating Agreement, a Manager will appoint one or more representatives to an investor advisory board. The Operating Agreement may provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to the relevant Fund or any other investor.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Furthermore, uncertainty can be caused by local, regional or global health crises including the spread of viruses or epidemics, which could also result in significant economic disruptions with corresponding negative effects on the operating results of portfolio companies. Such disruptions and/or erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

*Public Health Emergencies; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Fund or SPV.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and

operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across several of the world’s largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to a Fund or SPV. The extent of the impact on a Fund or SPV and its portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may affect Aldrich’s or a Fund or SPV’s ability to source, diligence and execute new investments and to manage, finance and exit investments in the future or result in changes or significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of a Fund or SPV to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Fund or SPV intends to pursue, all of which could adversely affect a Fund or SPV’s ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of a Fund or SPV, its portfolio companies, its general partner and Aldrich may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether

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

*Unfunded Pension Liabilities of 80%-Owned 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 Aldrich 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 the 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.

*Valuation of Investments.* Generally, the Advisers will determine the value of each 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 the Funds' investments because, among other things, the securities of portfolio companies held by the Fund generally will be illiquid and not quoted on any exchange. The Advisers will determine the value of all of each Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the Advisers 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 the Advisers with respect to an investment will represent the value realized by a 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 the Advisers may cause them to ineffectively manage the relevant Fund's investment portfolio and risks. The exercise of discretion in valuation by the Advisers also may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees.

*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 Funds, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Aldrich or one of its service providers holding its financial or investor data, it could result in the failure to maintain the security, confidentiality and privacy of such data, and Aldrich, its affiliates, the Funds or investors may also be at risk of loss, despite efforts to prevent and mitigate such risks.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the General Partner, the Funds and the SPVs and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, the General Partners, the Funds and the SPVs and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and



operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Adviser, the General Partner, the Funds and the SPVs and/or their portfolio companies.

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

## **Conflicts of Interest**

Aldrich and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds and investment vehicles, and providing transaction-related, legal, management and other services to Funds and portfolio companies. Aldrich will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds and SPVs in an appropriate manner, as required by the Operating Agreement, although the Funds, SPVs and their respective investments will place varying levels of demand on these over time. In the ordinary course of Aldrich conducting its activities, the interests of a Fund or SPV likely will conflict with the interests of the Adviser, one or more other Funds or SPVs, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Aldrich will determine all matters relating to structuring transactions and Fund and SPV operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds, as applicable.

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

As noted above, each SPV only is expected to hold one portfolio company, therefore until Aldrich manages additional Funds Aldrich does not believe any potential conflict of interest will exist with respect to the allocation of investment opportunities. To the extent Aldrich manages

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

Aldrich must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Aldrich generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Operating Agreement and Side Letters as well as factors including but not limited to: investment and operating guidelines, diversification limitations, tax and regulatory considerations, investment restrictions, strategy, risk profile, time horizon, tolerance for turnover, asset composition, cash level, life cycle and other relevant factors, including agreements with co-sponsors and other factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds or SPVs advised by an affiliated adviser of Aldrich in the manner set forth in the Operating Agreements and/or Aldrich's Allocation Policy. Aldrich will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Aldrich's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Aldrich will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and Aldrich reserves the right to offer any such excess to one or more potential co-investors, including Operating Advisors and other third parties as described above, as determined by the Operating Agreement and Side Letters, as applicable, and Aldrich's procedures regarding allocation. Aldrich's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; Aldrich's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Aldrich's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; the size of an investor's capital commitment to a Fund; lender requirements; the likelihood that an investor may invest in a Fund sponsored by Aldrich or its affiliates; existence of a formal or informal strategic partnership with the prospective co-investor; and whether Aldrich believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or the Advisers. Aldrich reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of

prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, Aldrich or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other investors. When and to the extent that employees and related persons of Aldrich and its affiliates make capital investments in or alongside certain Funds and SPVs, Aldrich and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund or SPV participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Aldrich's allocation of investment opportunities among the persons and in the manner discussed herein often will not, result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While Aldrich will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which Aldrich expects to be subject, discussed herein, did not exist.

In certain cases, Aldrich will have the opportunity (but, subject to any applicable restrictions or procedures in the Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund or SPV. In such cases, Aldrich will use its discretion to select such transferees based on suitability and other factors, and unless required by the Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Potential conflicts are expected to arise when and to the extent a Fund or SPV makes investments in conjunction with an investment being made by another Fund or SPV, or if it were to invest in the securities of a company in which another Fund or SPV has already made an investment. A Fund or SPV may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds or SPVs. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund or SPV and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Aldrich and its affiliates may from time to time express inconsistent views of commonly held investments or of market conditions more generally. In addition, the Principals transferred their interests with respect to SPV 1 and SPV 2 to the Funds and therefore no longer have an interest in such SPVs, but have an economic interest in the underlying SPV portfolio companies by virtue of their commitment to the Funds. The Funds may not exit such investments at the same time or on the same terms as such SPVs (although they are expected to do so). There can be no assurance that the return on one Fund's or SPV's investments will be the same as the returns obtained by other Funds or SPVs participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both

Funds. In that regard, actions taken for one or more Funds or SPVs may adversely affect other Funds or SPVs.

Subject to any relevant restrictions or other limitations contained in the Operating Agreements of the Funds and SPVs, Aldrich will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Aldrich expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund and SPV expenses typically will be allocated among all relevant Funds, SPVs or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by Aldrich or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds, SPVs or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds and SPVs generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds and SPVs bearing different levels of expenses with respect to the same investment.

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

Additionally, a portfolio company typically will reimburse Aldrich or service providers retained at Aldrich's discretion for expenses (including without limitation travel expenses) incurred by Aldrich or such service providers in connection with its performance of services for such portfolio company. This subjects Aldrich and its affiliates to conflicts of interest because the Funds and SPVs generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Aldrich determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Aldrich or such service providers generally is subject to: agreements with or review by sellers, buyers and/or management teams; the review and supervision of the board of directors of portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Aldrich generally exercises its discretion to recommend to a Fund or SPV or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Aldrich or a related person of Aldrich (which

may include a portfolio company of such Fund); (ii) an entity with which Aldrich or its affiliates or current or former members of their personnel has a relationship or from which Aldrich or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Aldrich personnel are seconded, or from which Aldrich receives secondees; or (iii) certain investors or their affiliates. For example, Aldrich expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain investors or their affiliates that are engaged in lending or related business. This subjects Aldrich to conflicts of interest, because although Aldrich selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Aldrich has a potential incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds, SPVs or the Adviser), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Aldrich will not necessarily seek out the lowest cost options when incurring (or causing a Fund, SPV or portfolio companies to incur) such expenses. Although Aldrich generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where Aldrich commits or has committed to seek "market" or "arms-length" rates or terms, Aldrich will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, Aldrich undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate. Whether or not Aldrich has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. In addition, Legal Advantage, LLC ("LA"), an affiliate of Aldrich, has provided services to, and/or incurred expenses on behalf of, the Funds, the SPVs and/or their portfolio companies and may do so in the future (e.g., personnel, payroll/salary, rent, third-party service expenses), for which the Funds, the SPVs or the portfolio companies are expected to reimburse LA. Reimbursements of such expenses are made on an at-cost basis. Such reimbursements do not constitute transaction fees and do not offset the management fees of any Fund or SPV.

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

mitigate such conflicts by obtaining the consent of the relevant Fund(s) or SPVs (including, where authorized, the consent of the relevant Fund advisory board) to such transactions. In certain circumstances, Aldrich reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. Aldrich intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

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

Aldrich and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds, SPVs or other investment vehicles advised by Aldrich and/or its affiliates; conversely, former personnel or executives of Aldrich and/or its affiliates may from time to time serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Aldrich and/or its affiliates, and/or the Funds, SPVs or other investment vehicles they advise. Aldrich expects to be subject to a potential conflict of interest with a Fund or SPV in recommending the retention or continuation of a third-party service provider to such Fund or SPV or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds or SPVs, will provide Aldrich information about markets and industries in which Aldrich operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser or one or more other Funds or SPVs. For example, Aldrich reserves the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or a successor Fund rather than the Fund making the payment. Aldrich expects to be subject to a potential conflict of interest in making such recommendations, in that Aldrich has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to a Fund or its portfolio companies.

In certain circumstances, current or former Aldrich's personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Aldrich. Under such arrangements, Aldrich and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships or to former employees generally will not offset or reduce the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Employees may or may not return to Aldrich at the end of such secondee arrangement.

The Adviser, its affiliates, and equity holders, officers, principals and employees of Aldrich and its affiliates reserve the right to buy or sell securities or other instruments that Aldrich has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Aldrich have, and are expected to continue to have, capital investments in or alongside certain Funds and SPVs, or in prospective portfolio companies directly or indirectly, and therefore expects to have additional potential conflicting interests in connection with these investments.

In addition, as described above, portfolio companies and/or the Funds typically pay certain fees to Operating Advisors and other consultants (including consultants introduced or arranged by Aldrich and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset or reduce the Management Fee as described herein. Aldrich and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating Advisors generally receive investment opportunities (including in the Funds, SPVs and Advisors), reimbursements and other compensation that do not offset or reduce the Management Fee of any Fund, as described herein. Although the use of Operating Advisors and the allocation of compensation paid to them by the Adviser, its affiliates and/or the portfolio companies subjects Aldrich and/or its affiliates to potential conflicts of interest, Aldrich believes that such potential conflicts may be reduced by any cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Advisors is lower than market rates for the services provided and/or if the services of the Operating Advisors align with Aldrich's model for the portfolio company and improve portfolio company performance. Although Aldrich seeks to retain Operating Advisors with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Aldrich also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Aldrich believes will align such persons' interests with those of the Funds' investors, and seeks to retain only Operating Advisors and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when Aldrich may not otherwise have done so. Since Aldrich is permitted to retain certain Supplemental Fees (as described under “Fees and Compensation”) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

Aldrich and/or its affiliates reserve the right to enter into Side Letters with certain investors in a Fund or SPV providing such investors with different or preferential rights or terms, including but not limited to different fee structures (including discounted or rebated compensation terms) information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds or SPVs. Except where required by Operating Agreements, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund or SPV, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

From time to time Aldrich and its affiliates and personnel expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds and SPVs under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than Aldrich and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Aldrich believes that the potential for conflicts of interest relating to such discounts is mitigated. Aldrich and its affiliates generally refrain from requesting or negotiating for such discounts in the ordinary course.

Any of these situations subjects Aldrich and/or its affiliates to potential conflicts of interest. Aldrich attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and SPVs and the obligations owed by Adviser’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds and SPVs under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Aldrich will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Aldrich consults and receives consent to conflicts from an advisory committee consisting of investors of the relevant Fund(s) and such other investment vehicles.

## **DISCIPLINARY INFORMATION**

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



## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Aldrich is affiliated with the General Partner, the Managers and any other Aldrich investment advisers including General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Aldrich's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Aldrich and serve as managers or general partners of Funds, SPVs and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Aldrich has adopted the Aldrich Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of Aldrich Principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Aldrich personnel to report their personal securities transactions, prohibits or requires pre-clearance for Aldrich personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Aldrich personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Aldrich Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Mirza Baig, Aldrich's Chief Compliance Officer, at (703) 376-3570. 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.

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

Accordingly, should Aldrich or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Aldrich generally would be prohibited from communicating such information to clients, and Aldrich 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 Aldrich personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Aldrich and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds and SPVs, as well as certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of the Advisers, as well as third party investors and other persons,

and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

Aldrich and its affiliates, Principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and potentially for family members, friends or others who do not invest in a Fund, we well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds and SPVs generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds and SPVs or may give priority with respect to investments to such Funds and SPVs. Some of these restrictions could be waived by investors (or their representatives) in such Funds and SPVs or be subjected to limitations (*e.g.*, by time or percentage of capital deployed).

### **BROKERAGE PRACTICES**

Aldrich focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Aldrich reserves the right to distribute securities to investors in a Fund or SPV or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although Aldrich does not intend to regularly engage in public securities transactions, to the extent it does so, it intends to follow the brokerage practices described below.

If Aldrich sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, Aldrich will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Aldrich reserves the right to consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Aldrich has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Aldrich generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Aldrich seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them,

although Aldrich generally does not make use of such services at the current time and has not made use of such services since its inception.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds and SPVs 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, Aldrich closely monitors companies in which the Funds and SPVs invest, and the Aldrich Chief Compliance Officer periodically checks to confirm that each Fund and SPV is maintained in accordance with its stated objectives.

Each Fund and SPV generally will provide to its investors (i) annual GAAP audited and quarterly unaudited financial information, and (ii) annual tax information necessary for each limited partner's tax return.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Aldrich and/or its affiliates intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services. As described in relevant Operating Agreements, this compensation may, in some cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees are in addition to Management Fees. *See* "Fees and Compensation."

Aldrich reserves the right from time to time, to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Fund. Any fees payable to any such placement agents generally will be borne by Aldrich indirectly through an offset against the Management Fee under the Operating Agreements, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s) as organizational expenses (subject to the limitations in the applicable Operating Agreement). Aldrich previously retained North Sea Securities, LP ("**Placement Agent**"), a U.S. registered broker dealer and an affiliate of Hycroft, LLC, with respect to certain investor solicitation efforts, and as compensation for its efforts Placement Agent is paid a fee based on a percentage of capital commitments to the Funds made by certain investors, including commitments made by return investors in future Funds.

## **CUSTODY**

Aldrich maintains custody of assets held in the name of one or more Funds and SPVs with Silicon Valley Bank and Capital One, N.A.

## **INVESTMENT DISCRETION**

Aldrich generally has discretionary authority to manage investments on behalf of each Fund. As a general policy, Aldrich does not allow clients to place limitations on this authority. Pursuant to the terms of the Operating Agreements, however, Aldrich and/or its affiliates have entered, and expect to enter, into Side Letters with certain investors whereby the terms applicable

to such investor's investment in a Fund or SPV are altered or varied, including, in some cases, the right to opt- out of certain investments for legal, tax, regulatory or other reasons. Aldrich assumes this authority pursuant to the terms of the Operating Agreement and powers of attorney executed by the investors of such Fund, as applicable.

## **VOTING CLIENT SECURITIES**

Aldrich has adopted the Aldrich Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for Fund and SPV portfolio investments. The Proxy Policy seeks to ensure that Aldrich votes proxies (or similar instruments) in the best interest of the Funds and SPVs including where there may be material conflicts of interest in voting proxies. Aldrich generally believes its interests are aligned with those of each Fund's investors, for example, through the Principals' beneficial ownership interests in such Fund or SPV and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Aldrich may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board is authorized to approve Aldrich's vote in a particular solicitation. Aldrich does not consider service on portfolio company boards by Adviser personnel or Aldrich's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Aldrich when voting proxies on behalf of a Fund. If investors would like a copy of Aldrich's complete Proxy Policy or information regarding how Aldrich voted proxies for particular portfolio companies, please contact Mirza Baig, the Aldrich Chief Compliance Officer, at 703-376-3570, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

Aldrich does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.