



## Form ADV Part 2A: Firm Brochure

### Northgate Capital, L.P.

Northgate Capital, L.L.C.

March 27, 2020

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**This brochure (the “Brochure”) provides information about the qualifications and business practices of Northgate Capital, L.P. (“Northgate LP”) and Northgate Capital, L.L.C. (“Northgate LLC”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (CCO) at (925) 820-9970 or email [lc@northgate.com](mailto:lc@northgate.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

Reference to our being a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

Unless otherwise indicated, the term “Northgate” or “the firm” is broadly used within this Brochure to refer to the entire enterprise and not to a specific legal entity.

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## **Item 2: Material Changes**

Since the last annual update to this Brochure was filed in March 2019, there has been only one material change to Northgate's investment advisory business. In 2019, Northgate ceased conducting operations from the United Kingdom. As such, this Brochure has been amended to remove any references to such operations. Current and prospective investors are urged to review the Brochure in its entirety.

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## Item 4: Advisory Business

The collective Northgate enterprise currently manages approximately \$4,325,783,692 in client assets under management as of December 31, 2019. Northgate manages private funds that invest in global venture capital and private equity investments both through a fund-of-funds strategy (the “**Funds-of-Funds**”) and directly (the “**Direct Funds**”) (each a “**Fund**,” together the “**Funds**”). Northgate’s principal office is in Danville, California, with additional offices in San Francisco and Mexico City. Northgate does not engage in other lines of business besides its fund-of-fund and direct private equity fund businesses.

Certain affiliates of Northgate serve as the general partners of the Funds (each, a “GP Entity” and, collectively, the “**GP Entities**”), as further described below. The GP Entities are responsible for managing the capital committed to the Funds. The GP Entity of each Fund is responsible for and maintains discretion over the Fund’s investment decision making, subject to the oversight and consent of Northgate’s investment committee (described below). Northgate provides investment management and administrative services to all of the GP Entities. Please refer to Part 1A of Northgate’s Form ADV for specific information on the GP Entities.

The Funds-of-Funds seek long-term capital appreciation by primarily investing in a diversified group of underlying venture capital, private equity and emerging markets partnerships or limited liability companies managed by third-party investment advisers (“**Portfolio Funds**”). Direct Funds generally invest directly in venture capital portfolio companies (“**Portfolio Companies**”). These direct private equities and venture capital investments are typically made alongside independent and generally well-established venture capital firms that take a lead role in the investment activity and may or may not be investments of the Portfolio Funds. The Direct Funds invest directly in Portfolio Companies.

TCP-NG (U.S.), L.L.C. wholly owns Northgate LLC and Northgate LP and has an equity stake in the GP Entities formed after September 2010. Northgate LLC serves as the sole managing member of each GP Entity formed after September 2010 and of a majority of the GP Entities formed prior to September 2010.

In general, the Funds will invest according to the terms specified in Limited Partnership Agreements or Limited Liability Company Agreements (collectively referred to as “**LPAs**”) for each of the Funds. The LPAs generally provide detail of all the terms and conditions applicable to each Fund, including the term of the Fund, capitalization, capital contributions, profits and losses, management fees, expenses, distributions, transfers, withdrawals, dissolution, liquidation, liability, and indemnification. The LPAs provide that the GP Entities are authorized to use discretion to cause the Funds to invest all of the capital commitments of the Funds, subject to the investment policies and investment restrictions provided in the LPAs.

## Item 5: Fees and Compensation

### *Management Fees*

Northgate provides investment management and administrative services to the Funds and is compensated through management fees. The LPAs provide that the Funds pay the GP Entities annual management fees, which are then generally assigned to Northgate in return for the services Northgate provides. The typical management fee for the Funds-of-Funds is .8% - 1% per annum of the committed capital to each Fund, and the typical management fee for the Direct Funds is 2% per annum of the committed capital to each Fund. Certain Funds charge, and certain investors have negotiated, fees that are lower than the typical management fees. Typically, Northgate does not charge management fees or performance fees in respect of related persons of Northgate who invest in the Funds.

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*Incentive Fees*

In addition to the management fee, each GP Entity receives an incentive allocation of a portion of the relevant Fund's profits. The incentive allocation is based on the performance of the investments made by a Fund above the capital returned to the investors.

See Item 6 for further discussion of incentive performance fees.

The Funds generally pay management fees quarterly in advance, with appropriate reimbursements for any partial periods. Incentive allocations are paid to the GP Entities as proceeds are realized from Fund investments.

The amount and duration of the management fee and incentive allocation are set prior to the commencement each Fund's term and are not cancelable except for cause and by a vote of the limited partners. The management fee paid to the GP Entity by the Fund typically parallels the amount paid by the GP Entity to Northgate in terms of amount and timing. However, the incentive allocation is paid directly to the GP Entity from the Fund, and the GP Entity, in turn, distributes the incentive allocation to the owners of the GP Entity, who may include senior executives, control persons of Northgate or third-parties outside of the firm. Certain Fund investors negotiate a lower or special management fee or incentive allocation. As noted above, typically, Northgate does not charge management fees or performance fees in respect of related persons of Northgate who invest in the Funds.

*Redemption Fees*

Investors will generally only be permitted to withdraw from a Fund with the GP Entity's consent. Under certain circumstances, including the failure to pay timely capital calls, investors in a Fund will have their interests liquidated, resulting in the forfeiture of a portion of their contributions, as disclosed in the respective Fund's offering documents.

*Other Fees and Expenses*

Pursuant to each Fund's LPA, an investor in the Fund will be subject to a pro-rata allocation of Fund expenses. Typical Fund expenses are detailed below, however, investors are urged to review the applicable Fund's LPA for detail regarding expenses that are charged to their Fund, as the below is a summary only.

Expenses to be borne by the Funds shall include the following costs, expenses and losses associated with the formation, operation, dissolution, winding-up, or termination of a Fund: (i) out-of-pocket expenses associated with the organization of a Fund or related GP Entity or the syndication of interests therein; (ii) all out-of-pocket travel and other expenses incurred in investigating, evaluating or monitoring investments or investment opportunities (which travel expenses may include expenses associated with first or business class travel for long distances in accordance with Northgate's internal policies relating to business travel); (iii) legal, accounting, audit, tax compliance, custodial and other professional fees; (iv) consulting fees relating to services rendered to the Fund; (v) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (vi) transfer, capital and other taxes, as well as charges, duties and fees, and any other costs (including broken-deal costs), incurred in acquiring, holding, selling or otherwise managing or disposing, or hedging against changes in the value, of Fund assets or obligations; (vii) insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; (viii) costs of reports to investors; (ix) costs of meetings of the investors and advisory committee, including the reasonable travel and other out-of-pocket costs in attending such meetings; (x) interest expenses; (xi) amounts paid to or for the benefit of Portfolio Companies or Portfolio Funds; (xii) the management fee; (xiii) advertising and public notice costs; (xiv) costs and expenses associated with preparing Fund tax returns; (xv) costs associated with the registration of the general partner or any affiliate thereof as an investment adviser under, or compliance by the general partner or any affiliate thereof with, the Investment Advisers Act of 1940, as amended (the "Advisers

Act”) (up to a maximum as detailed in the Fund’s LPA); (xvi) taxes and other governmental charges imposed upon the Fund as an entity; (xvii) costs associated with amendments to the Fund’s LPA or the GP Entity’s governing documents; (xviii) costs associated with the organization and maintenance of any master fund, holding vehicle or other investment conduits; and (xix) any other expenses not listed in the preceding clause that are not normal operating expenses of the GP Entity.

Northgate and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds which will not be subject to any management fee offset or otherwise shared with the Funds and/or, in the case of the Direct Funds, portfolio companies. For example, airline travel or hotel stays incurred as partnership expenses may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to Northgate and/or such personnel (and not the Funds and/or, in the case of the Direct Funds, portfolio companies) even though the cost of the underlying service is borne by the Funds and/or, in the case of the Direct Funds, portfolio companies.

It is important to note that in the case of the Funds-of-Funds when an investment is made in a Portfolio Fund, the Portfolio Fund generally pays management fees and performance fees to its investment manager. Therefore, an investor in a Fund could effectively pay two levels of advisory fees in connection with its investment in a Fund. The investor will be charged a management fee (and bear an incentive allocation, if applicable) and will bear its pro rata portion of any fees and expenses associated with the Fund’s investment in an underlying Portfolio Fund or Portfolio Company.

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

For certain Funds, the GP Entities receive an incentive allocation, or carried interest, which is generally a percentage of the profits generated after exceeding a relevant comparable public equity index, or a fixed rate, often referred to as the hurdle return. For Funds investing in Portfolio Companies, the carried interest structure is generally a percentage of the profits generated.

Performance-based fee arrangements create an incentive for Northgate to recommend investments which are riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangement also creates an incentive to favor higher fee paying Funds over other Funds in the allocation of investment opportunities. In order to mitigate this conflict of interest, Northgate has allocation procedures designed to treat Funds fairly and equitably to prevent the inappropriate allocation of investment opportunities among the Funds.

In order to aggregate the investment interests of a specific group of limited partners, certain Northgate Funds invest in other Northgate-managed Funds. Northgate does not receive any additional fees or incentive allocations than what it would have received if the underlying limited partners had invested directly in the underlying Northgate partnerships.

Northgate, through the GP Entities, has investment discretion over multiple Funds, many of which are similarly structured vehicles. This creates a conflict where Northgate could favor a Fund with a higher carried interest over another Fund with a lower carried interest. As noted above, Northgate mitigates this possibility through adherence to its allocation policy. Northgate will make a determination as to the appropriate allocation among the Funds after considering a variety of factors, including, among others, lifecycle of the fund, investment strategies, existing exposure, cash availability, tolerance for risk, and Fund agreements. It should be noted that investment opportunities will in all circumstances be allocated in a manner consistent with Fund governing documents.

## Item 7: Types of Clients

As noted in Item 4, Northgate provides investment management and administrative services to the Funds. Admission to the Funds is not open to the general public, and each Investor must meet the eligibility provisions and minimum contribution amounts described in each Fund's confidential offering memorandum. Investors must generally be "qualified purchasers" (as defined in the Investment Company Act of 1940, as amended), or accredited investors and may include, without limitation, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships and limited liability companies.

Each Fund's LPA generally imposes a minimum capital contribution for investors who commit capital to the Fund. These minimums are generally \$1 million, although certain minimums can be significantly less or more, as disclosed in Northgate's Form ADV Part 1A. The investment minimums may be, and have in the past been, waived in whole or in part by the relevant GP Entity under certain circumstances.

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

### Methods of Analysis and Investment Strategies

Northgate's underlying investment philosophy rests on the fundamental belief that the most compelling reason to invest in venture capital or private equity is to seek meaningful outperformance relative to public equity alternatives. The GP Entities structure their sourcing, due diligence, execution, and portfolio monitoring process with the purpose of maximizing performance while minimizing the risk of capital loss.

With the primary goal of generating returns that represent significant outperformance relative to the public equity alternatives the GP Entities will, in general, seek to invest in Portfolio Funds managed by seasoned professionals that, in many cases, are difficult for new investors to access. For certain Funds, the GP Entities also invest in secondary investments in funds on an opportunistic basis or directly in Portfolio Companies.

For venture capital funds, Northgate's investment selection process is based on the thesis that, where available, the majority of the portfolio should be allocated to Portfolio Funds based on historical performance. Globally recognized Portfolio Funds should have deployed repeatable strategies that have delivered consistent performance across several investment cycles by developing access to a wide network of technological experts and industry leaders who can provide value to their Portfolio Fund's companies; identified and capitalized on emerging, next-generation technologies; and, demonstrated an ability to access broader capital markets to assist companies that are ready for exit. A minority portion of a Fund could be allocated to upcoming Portfolio Funds that exhibit the same potential for repeatable outperformance.

For private equity funds, investment selection criteria include analysis of wealth creation opportunities and strategies of fund managers, especially as it applies to their ability to implement corporate transformations; identification of risks and challenges facing fund managers resulting from their geographic location, industry focus, or management team; and the thorough evaluation of underlying portfolio companies. Successful private equity firms can be catalysts and leaders of corporate transformations by providing their portfolio companies with powerful strategies, implementation processes, relationships with potential customers and suppliers, and executive mentoring.

For Direct Funds, Northgate's investment philosophy is generally built upon two fundamental principles: 1) invest in companies sourced from the portfolios of distinctive venture firms, some of which have historically generated the majority of returns to the asset class; and 2) filter these opportunities to invest in portfolio companies that Northgate

believes present minimal technology risk and are at the "inflection point" of a company's development. For Funds that are part of the Northgate Capital Innovations Partners ("NCIP Platform"), note that Northgate's investment philosophy is not solely confined to the above principles, but is also guided by a focus on evolving innovations within the Telecommunications and Financial Services sectors, respectively, which may be outside the above categories.

The Funds plan to be proactive in sourcing their investment targets, as compelling opportunities arise out of the portfolios at various stages. In general, the Funds will seek to avoid taking on technology risk and instead look for opportunities that have shown some traction in the marketplace. Northgate believes that the optimal risk/return profile, rational pricing, and the likelihood of success reside at the stage between product/market validation and the acceleration of sales. Northgate refers to this stage in a company's development as its "inflection point."

Operational due diligence and on-going portfolio monitoring is conducted through interviews, onsite visits and data analysis. The operational due diligence and monitoring process leverages the resources of the Northgate investment professionals, accounting staff, external auditors and counsel as well as other strategic limited partners. Information captured during the process often includes: an overview of the firm's fund valuation methodologies, compliance and legal policies, descriptions of risk management controls, business continuity plans, cash management procedures, review of quarterly reports, and any other transaction and operational-related documentation.

#### Risk of Loss

Northgate defines risk as the potential for capital loss and underperformance. **An investment in a Fund involves a high degree of risk and is suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested, and who can afford a risk of loss of all or a substantial part of such investment.** There is no assurance that the Funds' investments will be profitable and there is a substantial risk that the partnership's losses and expenses will exceed its income and gains. The below description of the investment risks associated with the Funds is a summary of the more detailed risk factors disclosed the Funds' respective offering documents. Current and prospective investors are urged to review the risk factors disclosed in the applicable Fund's offering documents for a comprehensive understanding of the investment risks and other risks associated with an investment in such Fund.

There is no assurance that any of the portfolio company investments made by the Portfolio Funds or the investments made through direct private equity investments will be successful. Identifying and participating in attractive investment opportunities and assisting in the building of successful enterprises is difficult. It is possible that there will be little or no publicly available information pertaining to the status and prospects of the private portfolio companies. Many investment decisions by the GP Entities or a Portfolio Fund will be dependent upon the ability of its members and agents to obtain relevant information from non-public sources, and the GP Entity or the Portfolio Fund may be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond a GP Entity's control. The Funds' portfolios may become concentrated in a limited number of companies in certain industries, increasing the vulnerability of such a portfolio as compared with a portfolio that is more diversified.

While globalization continues to create attractive new emerging market investment opportunities; emerging market investing has its own unique systemic risks. These risks emanate from the countries' fragile institutional fabrics, histories of inconsistent and inefficient economic policies, agency failures, and vulnerability of production and financial activities to external shocks, including foreign currency exchange fluctuations.

Fund investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns,



pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a Portfolio Company or Portfolio Fund or a counterparty thereof) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a Portfolio Company or a Portfolio Fund, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or a Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a Portfolio Fund or a Portfolio Company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest specifically. Any of the foregoing may therefore adversely affect the performance of a Fund and its investments.

Northgate believes that risk and performance management of the Funds should start before a commitment is made and continue through maturity and exit. A Fund's risk and performance is identified, measured, and managed as a combination of market, investment, and operational risks. Despite Northgate's efforts in this regard, no assurance can be given that such risks will be handled effectively by the GP Entity of any Fund.

## Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the investment adviser or the integrity of its management.

Northgate has no disciplinary matters required to be disclosed under this Item.

## Item 10: Other Financial Industry Activities and Affiliations

A registered investment adviser is required to disclose whether it or any of its management persons are registered, or have an application pending to register, as a (a) broker-dealer or a registered representative of a broker-dealer, or (b) futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

As disclosed in Item 4 above, TCP-NG (U.S.), L.L.C. wholly owns Northgate LP and Northgate LLC. TCP-NG (U.S.), L.L.C. also owns an equity stake in all of the GP Entities except UTV, L.L.C.

Northgate LLC provides investment management and administrative services to the GP Entities and is a relying adviser in relation to Northgate LP. For additional information relating to Northgate LLC, please refer to Schedule R of Northgate's Form ADV Part 1A.

Northgate does not generally compete with, cause the Funds to engage or pay, or otherwise have conflicts of interest with these affiliates, which may provide resources or marketing opportunities for the Funds.

Northgate has formed investment vehicles to make Mexico-based fund and private equity investments. Mexican investors invest via Mexican investment trusts (the "Trusts"), and other investors invest via a Canadian limited partnership (the "Mexico Partnership"). NGM, L.L.C. ("NGM"), the U.S.-based general partner of the Mexico Partnership, makes all investment decisions for the Trusts and the Mexico Partnership. NGM Credit I, L.P. ("NGM Credit"), a U.S.-based general partner of the Northgate Capital Mexico Credit Fund I, L.P. (the "Mexico Credit Fund"), makes all investment decisions for the Mexico Credit Fund. A wholly-owned subsidiary of Northgate LLC, Northgate

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Mexico S. de R.L. de C.V. (formerly, NGEM Mexico S. de R.L. de C.V.), provides services of deal sourcing, research, and investment recommendations to NGM. Northgate does not compete with, cause the Funds to engage or pay, or otherwise have conflicts of interest with these affiliates.

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

### **Code of Ethics**

Northgate has adopted a Code of Ethics (the “Code”) which is designed to meet the requirements of Rule 204A-1 under the Advisers Act. The Code applies to Northgate’s “Access Persons.” Access Persons include, generally, any partner, officer or director of Northgate and any employee or other supervised person of Northgate who, in relation to the Funds, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Northgate employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Northgate’s status as a fiduciary to the Funds and requires Access Persons to place the interests of the Funds above their own interests. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Northgate’s Chief Compliance Officer. Upon hire and at least annually afterwards, all Access Persons are provided with a copy of the Code and are required to acknowledge receipt of, and agreement to abide by, the Code.

The Code also sets forth reporting and pre-clearance requirements for personal trading by Access Persons. Access Persons must provide Northgate’s Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Northgate’s Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with the Code and Advisers Act Rule 204A-1. The Code also seeks to ensure the protection of non-public information about the activities of the Funds.

Clients or prospective Clients may obtain a copy of the Code by contacting Northgate’s Chief Compliance Officer at (925) 820-9970 or at [lc@northgate.com](mailto:lc@northgate.com).

### **Personal Trading**

Northgate manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code, which contains limitations on Access Persons’ personal investment activities and strict pre-clearance and reporting guidelines for Access Persons. Access Persons’ personal securities transactions are strictly required to be made in accordance with Northgate’s Code. In addition, Northgate receives transaction and holdings reports in accordance with the Code and Advisers Act Rule 204A-1. The Chief Compliance Officer or his or her designee also reviews Access Persons’ personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

Northgate believes that these personal trading restrictions effectively address the material potential conflict of interest with its Clients that arise as a result of personal trading activities.

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**Participation or Interest in Client Transactions**

As explained in Item 10, Northgate, as investment manager to the Funds, and the GP Entities have financial ownership interests in the Funds and receive a management fee and/or incentive-based fees for their services to the Funds.

Certain employees, officers or directors invest in the Funds, but such investments generally are not subject to the management fees or incentive-based fees described in Item 5.

The fact that Northgate, the GP Entities and Northgate's principals and employees have financial ownership interests in the Funds creates a potential conflict in that it could cause Northgate to make different investment decisions than if such parties did not have such financial ownership interests. Further, Northgate (or the applicable GP Entity) receives management fees and/or incentive-based fees. The management fees are payable without regard to the overall success or income earned by the Funds and therefore create an incentive on the part of Northgate to raise or otherwise increase assets under management to a higher level than would be the case if Northgate were receiving no management fee. Incentive-based fees create an incentive for Northgate to make investments that are riskier or more speculative than in the absence of such incentive-based fees. Such potential conflicts are addressed by the personal securities transaction pre-clearance and holding requirements described in this Item 11.

Northgate addresses these potential conflicts through regular monitoring of the Funds' portfolios as described in Item 13 of this Brochure. Further, in their respective offering documents, each Fund provides to investors and potential investors extensive disclosure regarding the potential risks relating to an investment in the Fund, including material conflicts of interest. The Code notes that Access Persons are required to place the interests of the Funds over their own, and all Access Persons are required to acknowledge their receipt of, and agreement to abide by, the Code upon hire and at least annually afterwards. Complete fee disclosures are provided to Investors in each Fund's LPA, and prospective investors should review such disclosures carefully.

The GP Entities are eligible to receive an incentive allocation, or carried interest, which is generally calculated as a percentage of the profits generated after exceeding a hurdle return. For Funds investing in Portfolio Companies, the carried interest structure is generally a percentage of the profits generated. Performance-based fee arrangements create an incentive for the GP Entities, and individual managing members of such GP Entities, to recommend investments which are riskier or more speculative than those which would be recommended under a different fee arrangement. In order to mitigate this conflict of interest, Northgate has allocation procedures, implemented and overseen by the Investment Committee, which are designed to treat Funds fairly and equitably and to prevent the inappropriate allocation of investment opportunities among the Funds.

Access Persons are generally permitted to invest in Portfolio Companies or Portfolio Funds if the CCO and an investment committee member determine that such investments are not a material conflict of interest with an existing Fund.

## **Item 12: Brokerage Practices**

As private equity and venture capital investors, while the Funds generally do not buy publicly traded securities, they occasionally receive distributions of registered securities.

Northgate selects brokerage firms to liquidate or distribute securities that become tradable in public markets. These transactions may be done in large block transactions or in smaller trades over a period of time. The GP Entities will choose brokers and dealers and negotiate commission rates on behalf of the Funds. Selection of brokers is based upon a number of factors, including trading execution capabilities, commissions charged, experience handling private equity

transactions, customer services capabilities, and back-office support.

Northgate has not entered into any “soft-dollar” arrangements with brokers or dealers. Most commonly the GP Entities will use brokers primarily to sell the securities distributed to the Funds from Portfolio Funds or Portfolio Companies that have become exchange-listed. Northgate monitors the commission rates received from distributing brokers to determine that they are reasonable. Sometimes these commissions are higher than obtainable elsewhere as the broker is providing additional administrative support. If Northgate determines that the commission rates received from the distributing broker are inappropriate, it will attempt to negotiate the rates or will seek execution from other brokers.

Northgate does not enter into “directed brokerage” arrangements, whereby a client of an investment adviser instructs the adviser to direct a portion of its brokerage transactions to a particular broker-dealer.

## Item 13: Review of Accounts

### *Account Reviews*

The members of the GP Entities are responsible for continually reviewing and monitoring activity within the Funds, Portfolio Funds, and Portfolio Companies. Portfolio Funds generally provide a written report and financial statements on a quarterly basis for the GP Entities’ review. All investments are reviewed at least on a quarterly basis. An amendment to a Portfolio Fund limited partnership agreement will also trigger a review of the Portfolio Fund, as will a significant public transaction.

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Generally, Northgate will quarterly review the Funds for cash or securities that are available for distribution to limited partners. Similarly, on a quarterly basis, Northgate reviews the Funds to assess the need to call capital from limited partners and the GP Entities.

### *Investor Reports*

Written portfolio reports are prepared for all Funds. Northgate issues reports to limited partners of the Funds on a quarterly basis, as provided in the Funds’ LPAs. These reports include statements of capital balance, financial statements for the Funds, and, where applicable, investor analysis reports. Additionally, Northgate issues annual reports to limited partners of each Fund containing annual financial statements of the Fund audited by an independent third party auditing firm.

## Item 14: Client Referrals and Other Compensation

From time-to-time, Northgate and/or certain GP Entities enter into arrangements with placement agents (“Placement Agents”) whereby the Placement Agents are compensated for referring investors to the Funds. Fees for such placement services are paid exclusively by Northgate or the GP Entities and not by investors in the Funds. Generally, placement fees are calculated based on a percentage of the assets invested by an investor that was referred by the Placement Agent.

Referred investors to the Funds should be aware of inherent conflicts of interest between Northgate and them with respect to the Placement Agent arrangement described above. Placement Agents may refer potential investors to the Funds because they will be paid a fee and not because the Funds provide appropriate investment strategies or are suitable for the investor. In turn, Northgate earns, directly or indirectly, management and incentive fees from these

investors which may be higher than what they might pay another investment manager or collective investment vehicle.

## Item 15: Custody

Northgate is deemed to have custody of the Funds' assets by virtue of the fact that affiliates of Northgate serve as the GP Entities or managers to the Funds. Accordingly, Northgate and its affiliates comply with the custody requirements applicable to registered investment advisers pursuant to Advisers Act Rule 206(4)-2 (the "Custody Rule"). All of the Funds' assets, except for certain uncertificated securities purchased in private transactions (as further described below), are held with one or more "qualified custodians" as defined in the Custody Rule (i.e. banks or broker-dealers) that are unaffiliated with Northgate.

The Funds are exempt from the quarterly account statement delivery obligations and surprise audit requirement of the Custody Rule because they are audited annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), in accordance with its rules. The audited financial statements of such Funds are prepared in accordance with generally accepted accounting principles and are distributed to each investor within 120 days (in the case of the Direct Funds) and 180 days (in the case of the Funds-of-Funds) of the end of the relevant Fund's fiscal year.

**Commented [LC4]:** This is no longer accurate, as now all of our funds are audited without exception. There are no more surprise custody audits. Can you adjust accordingly?

With respect to the portion of Northgate's investment program that involves investments in certain private companies, Northgate generally will be exempt from the requirement to maintain with a qualified custodian certain "privately offered securities," defined in paragraph (b)(2) of the Custody Rule as securities that are: (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, to the extent ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer. Partnership agreements, subscription agreements, and LLC agreements are not considered "certificates" for these purposes and the securities represented by these documents are "privately offered securities" provided they meet the other elements of paragraph (b)(2) of the Custody Rule (as set forth above).

## Item 16: Investment Discretion

Each GP Entity has discretion to make investment decisions for its Fund, subject to investment criteria or other restrictions and limitations set forth in the LPA or other organizational documents of the Fund.

## Item 17: Voting Client Securities

As Northgate primarily invests in private funds and privately-held securities issued by Portfolio Companies, there generally will be few instances where proxies are required to be voted. In these instances, Northgate has the authority to vote on matters relating to, or give approval/consent to matters proposed by a proxy vote. Northgate's policy is to vote proxies in the best interest of the Funds with a view to maximize value.

At the request of an investor, Northgate will provide such investor, at no cost, a copy of its proxy voting policies and procedures along with information regarding how proxies were voted. Investor seeking such information should contact the Chief Compliance Officer.

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## **Item 18: Financial Information**

Registered investment advisers are required in this Item 18 to provide certain financial information or disclosures about their financial condition.

Northgate is not required to provide a balance sheet as it (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.