

**Part 2A of Form ADV: Firm Brochure**  
**Dated April 2, 2021**

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**This brochure provides information about the qualifications and business practices of Inverness Graham Investments, Inc. If you have any questions about the contents of this brochure, please contact us at 610.722.0300. 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. Any reference to Inverness Graham Investments, Inc. as being “registered” or a “registered investment adviser” should not be construed as any level of expertise.**

**Additional information about Inverness Graham Investments, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 Material Changes**

Since the last annual update to Inverness Graham's (as defined below) Disclosure Brochure, filed on March 30, 2020, the principal office location moved to 1275 Drummers Lane, Suite 300, Wayne, PA 19087. Other changes have been made to this Disclosure Brochure, some of which enhance existing disclosures, but we do not consider those changes to be material.

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## Item 4 Advisory Business

Inverness Graham Investments, Inc., a Pennsylvania corporation ("Inverness Graham" or "we"), is an operationally focused, lower to middle market private equity firm, headquartered in suburban Philadelphia. Inverness Graham seeks to acquire high growth, innovative manufacturing and service companies. Inverness Graham was formed in 1996. Inverness Graham is wholly owned by Kenneth A. Graham, its Senior Managing Principal.

We provide investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended. We currently provide investment advice to Inverness Graham Investments II, L.P., Inverness Graham Investments III, L.P., Inverness Graham Investments III-A, L.P., Inverness Graham Investments III-B, L.P., Inverness Graham Investments III-C, L.P., Inverness Graham Investments IV, L.P., Inverness Graham Investments IV-A, L.P., Inverness Graham Investments IV-B, L.P., Inverness Graham Investments IV-C, L.P., IGI I Annex Fund, L.P., L.P., Datasource Co-Invest (IGI-II), L.P., Swipeclock Co-Invest (IGI III), L.P., GPS Co-Invest (IGI III), L.P., and EiKO Co-Invest (IGI III), L.P. (collectively, the "Funds").<sup>1</sup> We may in the future advise other funds in addition to those listed herein.

As investment adviser for each Fund, Inverness Graham identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each Fund. Inverness Graham provides these investment advisory services to each Fund pursuant to separate investment advisory agreements (each an "Advisory Agreement").<sup>2</sup> The terms of the investment advisory services to be provided by Inverness Graham to a Fund, including any specific investment guidelines or restrictions, are set forth in such Fund's Advisory Agreement and/or in its limited partnership agreement. We tailor our advisory services to the individual needs of each of the Funds, not to each underlying investor. Individual needs are identified through a review of each Fund's overall investment guidelines and objectives, as well as specific investment goals.

We do not participate in any wrap fee programs.

As of December 31, 2020, our regulatory assets under management ("Regulatory AUM") totaled approximately \$849,380,000. This Regulatory AUM figure represents

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<sup>1</sup> With respect to certain of the Funds, Inverness Graham provides its services indirectly through wholly owned subsidiaries.

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the sum of the fair market value of the assets held by the Funds as of December 31, 2020, plus the aggregate amount of uncalled capital commitments to the Funds. We manage all of the assets in the Funds on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

We are compensated for our investment advisory services based on a percentage of committed capital or invested capital. Generally, each Fund pays a management fee based on committed capital during its investment period, and thereafter pays us a management fee based on invested capital. We negotiate the rate with investors in each Fund at the time such Fund is established. We are entitled to collect management fees from the Funds on a semi-annual basis pursuant to the relevant Management Agreement. As described below, the management fee may be offset in some circumstances in connection with the receipt by Inverness Graham or its affiliates of various fees paid by actual or prospective portfolio companies. The management fee may be waived by the general partner of the applicable Fund, in its sole discretion, with respect to some or all of the investors in the Fund (including in connection with investments in the applicable Fund made by the general partner of the Fund or its affiliates).

Management fees are payable semiannually on the 15<sup>th</sup> day of the period. As required by the Investment Advisers Act of 1940, as amended (the "Advisers Act"), if the Advisory Agreement is terminated before the end of the applicable period, management fees will be charged on a *pro rata* basis through the date of termination, and any fees paid in advance but not earned will be refunded.

The Funds bear all expenses and costs which are incidental or related to the maintenance of the Fund as governed by the provisions of each limited partnership agreements and private placement memorandums. Operating costs incurred by the Funds, include, but are not limited to, the sourcing, evaluation, acquisition, holding, development, management, monitoring and disposition of Investments or prospective Investments, which include travel and other related costs of employees of Inverness Graham as well as third parties. In addition, expenses, including but not limited to private placement fees, sales commissions, appraisal fees, borrowing costs, taxes, brokerage fees, accounting, legal, investment banking, consulting, information services, professional fees, custodial, trustee, record keeping, partnership reporting, insurance, telephone, travel and other such expenses are borne by the Fund. For the avoidance of doubt, the Funds will be responsible for all broken-deal expenses related to unconsummated transactions, notwithstanding the anticipated potential participation of co-investors in such transaction.

Inverness Graham and its affiliates perform management, advisory and other services for, and receive fees from, actual or prospective portfolio companies of the Funds. These supplemental fees may be significant. Fees that Inverness Graham receives from its Portfolio Companies are generally in the form of management fees or

monitoring fees and are governed by the services and terms described in each contractual agreement that Inverness Graham has with its portfolio companies. Fees received by Inverness Graham are typically subject to offset provisions against Fund-level management fees based on the allocable share of that fee which pertains to the Fund's ownership interest in that portfolio company as provided under the terms of the applicable Fund's limited partnership agreements. The portfolio company fees may be significant and may be paid in cash or in securities of portfolio companies or investment vehicles (or rights thereto). Typically, the compensation to Inverness Graham for these services takes the form of a pre-paid fee paid by the portfolio company pursuant to a management services agreement that the portfolio company enters into with Inverness Graham at the time a Fund initially invests in the portfolio company. The agreements with the portfolio companies generally involve an initial term of three years and renew automatically for successive terms of one year each, unless the parties agree to terminate the agreement. Inverness Graham will typically be compensated for the management services it provides during an initial ownership period at a rate that is in excess of the annual recurring management fee that it receives for subsequent periods to compensate for the efforts associated with the additional activities required during this period of time. The terms of the management agreement provide that the Manager is entitled to increases in its fees to the extent defined increases in EBITDA are achieved. In addition, the Manager may amend the terms of its management agreements with its Portfolio Companies, including the amount of the annual recurring fee, at the time of an add-on acquisition, recapitalization or other significant event. To the extent that a portfolio company has advanced payment for future periods for which services will not be provided, and the management services agreement is in the process of being terminated in connection with the disposition of an investment, the Manager will typically return the unutilized, unearned portion of any prepayment to the portfolio company.

When Inverness Graham receives such supplemental fees, it will generally reduce future Fund-level management fees in connection with the receipt of these supplemental fees under the terms of the applicable limited partnership agreements of the Funds. In addition, the supplemental fees and the applicable offset amounts are disclosed in the quarterly financial statements and the annual audited financial statements issued by each Fund. The calculation of the reduction in Fund-level management fees, which is described in the limited partnership agreements of each Fund, varies from Fund to Fund and may vary by partnership entity or investor within a Fund. In accordance with the terms of the applicable limited partnership agreements, Inverness Graham retains all supplemental fees remaining after providing a fee reduction to reduce management fees equal to 80% (increasing to 100% in certain Funds upon certain thresholds being reached) of such supplemental fees allocable to the Fund's pro rata ownership interest in the portfolio company. Such fees may be paid in cash or in securities of portfolio companies or investment vehicles (or rights thereto).

In accordance with the applicable Fund documents, the Inverness Graham or its affiliates, including its wholly owned operational consulting subsidiary, Inverness

Graham Operating Group, LLC ("IGOG") doing business as the Inverness Graham Value Creation Group ("VCG")) and other operating companies and unaffiliated executives with industry specific experience may be engaged to provide services to portfolio companies. IGOG is an operational consulting entity formed to assist Inverness Graham to coordinate and oversee the operational consulting services that are provided by IGOG's employees, various external operations executives and outside firms (collectively, Operating Executives) directly to portfolio companies of the Funds and at times to the Funds directly. Such activities include employment of full-time operating partners to focus on assisting portfolio companies in a number of strategic objectives as well as third party consultants typically engaged on a limited scope defined project basis over shorter periods of time. Certain limited partnership agreements of the Funds state that no substantial net income shall be generated for Inverness Graham or any affiliate thereof through the services provided by such Operating Executives to the portfolio companies or the Funds. The Portfolio Companies, and sometimes the Partnership itself, may directly engage an external operating partner.

IGOG will bill the Portfolio Companies for its services at cost, or at or below market rates charged by unaffiliated service providers with comparable expertise and experience based upon the terms of each of the limited partnership agreements. IGOG primarily focuses on providing these operational consulting advisory services to portfolio companies; however, IGOG may also provide these services directly to the Funds. Services provided by IGOG in connection with the diligence of an investment opportunity that is not consummated are charged to the Fund, although historically such activity has been infrequent. Although the use of an affiliated service provider presents a conflict of interest, Inverness Graham believes that this conflict is mitigated and the use of IGOG is beneficial to the Funds because of the lower cost than a non-affiliated provider and a consistent quality of service. The Funds' limited partnership agreements permit IGOG to perform the services identified above and bill the Portfolio Companies and/or the Funds, as applicable, for such services. From time to time, an employee of Inverness Graham may become an employee of IGOG or an IGOG employee may become an employee of Inverness Graham.

In addition, portfolio companies of the Funds customarily grant stock options and other incentive equity directly to management, unaffiliated board members and other parties ("Portfolio Company Stock Options"). Further, Portfolio Company Stock Options may be granted at a future date to IGOG or an affiliate for the benefit of its employees. Such activity is not subject to offset. Payments related to these equity incentive programs impact distributions made by the portfolio companies and, indirectly impact the distributions the Fund is entitled to receive. The valuation of the Fund's investments considers the impact of all equity incentive and other provisions that would impact the distributions the Fund is entitled to receive.

In addition, certain entities that are part of an alliance of independently owned and operated industrial and investment management businesses known as "The Graham

Group,” which are not affiliates of Inverness Graham under the Funds’ limited partnership agreements, provide operations-related consulting services to portfolio companies of the Funds. The provision of such services is intended to be on an arm’s-length basis. Certain Graham Group entities own limited partnership interests in and have advisory board representation for certain of the Funds. From time to time, certain Graham Group entities have been offered the opportunity to co-invest in portfolio companies in which a Fund with remaining available capital is making an investment, particularly in instances in which the general partner of such Fund seeks operational expertise that can benefit the Fund making the investment. If a Graham Group entity does co-invest with one of the Funds in an investment, such transaction is disclosed in the quarterly financial statements and annual audits of the applicable Fund. Pursuant to the terms of the limited partnership agreements of the Funds, the general partner of each Fund may only offer co-investment to the extent such general partner believes it is appropriate to do so and, in any case, the general partner may not reduce a Fund’s level of investment in a transaction below that which the general partner deems appropriate. The Graham Group manages pools of investor capital independent from the Funds. When a Graham Group entity has been involved in a co-investment with the Funds, it traditionally actively assists Inverness Graham with pre-closing operational due diligence and post-closing portfolio company matters, which may include participation on portfolio company boards.

The terms of the agreements into which Inverness Graham has entered with the Funds’ portfolio companies may require that Inverness Graham act as an agent in advancing payment for third party services related to the portfolio companies’ activities, and that such portfolio companies subsequently reimburse Inverness Graham in full. Further, in accordance with the terms of the management service agreements between Inverness Graham and the Funds’ portfolio companies, out-of-pocket costs related to the portfolio companies activities, including travel costs of the Inverness Graham employees incurred in connection with such portfolio companies’ activities, are initially paid by Inverness Graham and subsequently charged to and expensed by the portfolio companies.

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

outstanding, if any, are disclosed to the investors in the quarterly and annual financial statements of each Fund.

Neither we nor any of our supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Some of our supervised persons receive carried interest distributions from the Funds, which are based on a share of realized gains from an investment that has been disposed from such Fund. Such carried ownership interests may be held by entities formed by such person for estate planning purposes. The amounts of such distributions are set forth in the limited partnership agreements of the Funds. As provided under the applicable limited partnership agreements of the Funds, carried interest is generally subject to waiver, deferral, recontribution or reduction by the general partner of the applicable Fund, in its sole discretion, with respect to some or all of the investors in the Fund (including in connection with investments in the applicable Fund made by the general partner or its affiliates).

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

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

## **Item 7 Types of Clients**

We provide investment advice to the Funds. Investors in the Funds include high-net-worth individuals, college and university endowments, public and private pension plans, funds-of-funds and other institutional investors.

Funds may have a specified minimum investment set forth in their offering documentation, organizational documents or other governing documents. Such minimums are typically subject to the discretion, on the part of Inverness Graham, to permit investment of a smaller amount generally or with respect to any investor in the relevant Fund.

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

We provide investment advisory services to the Funds which include the strategies and methods of analysis in the following summary which is further described in the applicable private placement memorandum and limited partnership agreements for each Fund.

Our investment objective is to make investments in smaller, lower to middle market businesses, primarily targeting high growth, technology enabled manufacturing and service companies. Our primary focus is on creating value by driving operational improvements at all of our Funds' portfolio companies. In evaluating potential portfolio companies, we conduct extensive due diligence to analyze, among other things, the company's market and competitive position within that market, cost and revenue structures, unique assets, such as brand strength, distribution capability and intellectual property, management team and compensation structure, contingent liabilities (environmental, regulatory, accounting or otherwise), potential growth opportunities and potential exit strategies.

IGOG also utilizes a group of operating partners and external industry experts with significant career experience across a broad range of industries who assist us in the sourcing of investment opportunities, the due diligence of potential transactions and the ongoing development of portfolio companies.

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

Acquiring an interest in a Fund involves a number of significant risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully

understand and are capable of bearing the risk of an investment in a Fund. Investment risks include, but are not limited to, the following:

- *Risks Associated with the Funds' Investment Strategies.*
  - o The investment strategies pursued by the Funds involve making illiquid private investments in a relatively small number of portfolio companies. As a result, each Fund's portfolio tends to be highly concentrated, and the failure of even one of these investments could have a materially adverse impact on a Fund's overall performance.
  - o The competition for sourcing investments for the Funds is becoming increasingly intense. There can be no assurance that Inverness Graham will be able to source a sufficient number of suitable investments at reasonable valuations to achieve a Fund's investment objective.
  - o The Funds' investment strategies often involve investing in portfolio companies whose businesses are subject to significant risks, including strategic, financial or other challenges. Some of these portfolio companies may be highly leveraged, and the Funds' exit strategies may be uncertain at the time the Funds make an investment in the portfolio company. The success of the Funds' investments in these companies is highly dependent on the ability of the managers of these companies to successfully navigate these and other challenges.
  - o The success of Inverness Graham's investment strategy could be significantly impacted by changing external economic conditions in the United States and globally. The stability and sustainability of growth in global economies may be impacted by terrorism, acts of war, pandemics or acts of god. Changing economic conditions could potentially adversely impact the performance and valuation of portfolio holdings. In addition, the availability, unavailability, or hindered operation of external credit markets, equity markets, and other economic systems which the Funds may depend upon to achieve its objectives may have a significant negative impact on the Funds' operations and profitability. There can be no assurance that such markets and economic systems will be available as anticipated or needed for the Funds to operate successfully.
  - o During 2020, the world has been impacted by the spread of a novel strain of coronavirus, its variants and the disease that they cause, known as COVID-19. Since mid-March 2020, federal, state and

local governments have issued public health responses aimed at reducing the spread of COVID-19. Inverness Graham's investments have and may continue to be impacted by the COVID-19 pandemic and such impact could be material. The extent to which the COVID-19 pandemic ultimately impacts Inverness Graham and its investments depends on the duration and scope of the pandemic, actions that have been and continue to be taken by governmental entities, individuals, and businesses in response to the pandemic, and the impact on economic activity from the pandemic and the actions taken in response including the risk to impact the Funds' performance and financial results. Aside from the broad effects on the economy, the pandemic may also have specific implications for Inverness Graham's operations and activities of its personnel, which can range from employees working remotely to more significant impacts such as illness and restrictions on non-essential travel.

- o The Fund's leveraged buy-out investment strategy may include portfolio company indebtedness that are more sensitive to fluctuations in financial performance given the defined reporting metrics, including fixed charge ratios, that may be present in the loan documentation that is required to maintain compliance. This indebtedness will result in interest expense and other costs incurred in connection with its origination that will reduce the company's available cash flow.
- o The marketplace for investing in privately held companies has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector, and the competition for investment opportunities remains high. Some of the Funds' potential competitors may have greater financial and personnel resources than Inverness Graham. There can be no assurances that Inverness Graham will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to investors or Funds may be affected or vary.
- o In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics that impact the ability to execute our existing operating plan, Inverness Graham may initiate its contingency and disaster recovery plan to provide access to the firm's systems that are needed to execute its business plan. Such systems include the technology necessary to continue its

responsibilities and meet portfolio company and investor needs. However, we are not able to predict the level of disruption that such catastrophic events may have on its operation or the ability of the disaster recovery plan to succeed in a time of crisis. Thus, its contingency and disaster recovery plan may be insufficient to continue operating Inverness Graham business as usual. Similar types of operational risks are also present for the portfolio companies in which the Funds invest, which could have material adverse consequences for such companies and may cause the Funds' investments to lose value.

- o Information systems of Inverness Graham and each Fund's portfolio companies may be vulnerable to damage or interruption from an evolving landscape of cyber-security and related risks. To the extent an attack is deployed that our systems are not able to stop, detect or mitigate in an appropriate amount of time, the systems may be subject to disruption and potential ransomware. If any systems designed to manage such risks are compromised, or cease to function properly, Inverness Graham, a Fund or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems could cause significant interruptions in Inverness Graham, the Funds' or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data. Such a failure could harm Inverness Graham, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance. While Inverness Graham and its portfolio companies will look to minimize the losses that occur from such an event through the coverages provided under cyber insurance policies, there can be no guarantee that such coverage will be able to be retained at commercially viable rates and even when certain coverage is obtained, there can be no guarantee that an insurance carrier would be able to provide proceeds to cover such losses.
- o We may also in the future advise the Funds on potential transactions that may require Limited Partner Advisory Board approval based upon actual or perceived conflicts of interest which may include (i) General Partner led secondary transactions in which ownership of an investment is sold by the Fund to a newly created Special Purpose Vehicle (SPV), (ii) a "Strip Sale" transaction in which secondary investors contribute new capital to a Fund which is utilized to execute a distribution to the Fund's Limited Partners, (iii) Continuation Vehicle transactions, and (iv)

other types of transactions as secondary markets continue to evolve.

- *Risks Associated with Investing in Interests in the Funds.*
  - o Investments in the Funds are illiquid, and interests in a Fund may not be transferred without the prior consent of the general partner and the satisfaction of certain other conditions. Investors in the Funds should be able and prepared to maintain their investments in the Funds over the entire life of the Fund.
  - o An investment in the Funds is a passive investment. As limited partners, investors in the Funds have no control over the day-to-day operations of the Funds and limited rights to protect themselves if they are dissatisfied with the manner in which a Fund is being operated. Limited partners are highly dependent on the investing skills and management abilities of Inverness Graham to achieve success.
  - o The valuation of the Fund's investments is a difficult task that relies heavily on Inverness Graham's business judgment. Although we maintain stringent policies, procedures and financial controls over the valuation process (including independent review by the Funds' auditors), there can be no assurance that the Funds will be able to realize their investments at price that is commensurate with the value at which such investments have been carried on the Funds' books.
  - o Inverness Graham manages each Fund in a manner that is consistent with the best interests of the Fund, which is not necessarily consistent with the best interests of each individual investor in the Fund. In particular, Inverness Graham may structure investments so as to maximize tax efficiency for the Fund, but which may not be the most tax advantageous structuring possible for an individual investor, depending on that investor's own particular facts and circumstances.
  - o Some Funds have had cross-investments in certain portfolio companies with other Inverness Graham Funds, and in certain instances a portion or all of one Fund's investment in a given portfolio company may be junior or senior in priority to another Fund's investment in the same portfolio company.
  - o The investment decisions of Inverness Graham are made exclusively by the Firm. Investors will have no right or power to

take part in the management of the Funds. Inverness Graham's operations are substantially dependent upon the skill, judgment, and expertise of certain key personnel and its employees or agents. The death, disability, departure, or other unavailability of any key personnel could have a material and adverse effect on the advisory clients managed by Inverness Graham.

- o The Funds are permitted to make bridge financings, subject to certain limitations, in anticipation of a future issuance of equity or long-term securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-term securities may not be issued, and such bridge loans may remain outstanding with increased levels of associated risk. Additionally, if a Fund makes an investment in a single transaction with the intent of refinancing or syndicating the portion of that investment constituting a bridge financing, there is a risk that such Fund will be unable to successfully complete such a refinancing. This could cause the Fund to be less diversified than Inverness Graham intended.

No guarantee or representation can be made that a Fund will achieve its investment objective or that limited partners will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by the Funds could lose money over short or even long periods. Past performance is not necessarily indicative of future returns. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund's investment, operational and other actual and potential risks.

#### **Item 9 Disciplinary Information**

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

#### **Item 10 Other Financial Industry Activities and Affiliations**

We nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

Neither we nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

Other than as described below, neither we nor any of our management persons have any relationship or arrangement that is material to our advisory business or to the

Funds with any related person who is a broker-dealer, municipal securities dealer or government securities dealer or broker; investment company or other pooled investment vehicle; other investment adviser or financial planner; futures commission merchant, commodity pool operator or commodity trading advisor; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of limited partnerships.

Inverness Graham acts as investment adviser to the Funds, and certain related persons act as general partners of the Funds. Additionally, certain related persons serve as management companies to the Funds and provide administrative and managerial services. The Investment Committee of Inverness Graham is currently comprised of the managing principals and the Chief Executive Officer of IGOG. In addition, as described in Item 5 above and Item 11 below, IGOG and other entities within the Graham Group provide various services to the Funds and their portfolio companies.

Except as described in the next paragraph, we do not recommend or select other investment advisers for the Funds or have other business relationships with other investments advisers that create a conflict of interest.

Kenneth A. Graham controls, and a trust of which Mr. Graham is the beneficiary and has a majority economic interest in, an investment vehicle that owns a passive minority interest (five percent or less) in another SEC-registered investment adviser (the “Other Advisor”). This investment vehicle is entitled to a portion of the net income generated from the management fees and carried interest generated from investment dispositions that is received by the Other Advisor. Investment funds managed by the Other Advisor (the “Other Advisor’s Funds”) are limited partners in two Funds which Inverness Graham manages and participate in co-investments offered to certain limited partners. A conflict of interest in the allocation of co-investment opportunities exists because Mr. Graham may benefit from the Other Advisor’s Funds’ participation in co-investment through his indirect economic interest in the Other Advisor, a benefit that does not exist with respect to other potential co-investors. We address this conflict as follows: (i) the limited partnership agreement of the Fund specifies that limited partners that meet a certain commitment threshold have priority regarding co-investment opportunities and, although the Other Advisor’s Funds are among those limited partners with such priority with respect to the Fund, the terms of the limited partnership agreement obligates the General Partner to offer any co-investment opportunity to all limited partners meeting such threshold pro rata in accordance with each such limited partner’s aggregate commitment, (ii) after complying with such priority allocation obligation, co-investment opportunities are offered broadly to all institutional limited partners of the Fund that have indicated an interest in co-investment and have the ability and experience to act quickly on such opportunities and (iii) allocations of co-investment opportunities are reviewed by our Chief Compliance Officer if the Other Advisor’s Fund is participating. The Other Advisor does not have a commitment in Inverness Graham

Investments IV, LP and the Other Advisor's investments into the Funds represent less than 3% of the Other Advisor's investment activity.

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

We have adopted a written Code of Ethics which applies to all of our employees and any person who enters into a significant consulting or other similar relationship with us that is not specifically exempted. Our Code of Ethics requires our employees to serve the best interests of our clients in compliance with our status as a fiduciary, to comply with applicable federal securities laws and to report any violations of our Code of Ethics promptly to our Chief Compliance Officer. Our Code of Ethics includes insider trading policies and procedures. Among other things, each of our employees must pre-clear certain personal securities transactions and must also provide copies of trade confirmations and periodic account statements, annual securities holdings reports and quarterly securities transactions reports. We will make our Code of Ethics available to any investor or prospective investor who requests a copy.

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

From time to time, our officers or directors or their Affiliates may wish to co-invest in a transaction in which one of the Funds is making an investment. This may create a conflict of interest between the Fund and the relevant officer, director or Affiliate. Pursuant to the limited partnership agreements of the Funds, such transactions must be approved, prior to execution, by either the Fund's advisory board or a subcommittee of the advisory board made up of non-affiliated limited partners, provided that approval is not required if the officer, director or Affiliate acquires such securities in the public securities markets or if the officer, director or Affiliate acquires such securities in his or her capacity as a director of a portfolio company. Certain members of the advisory boards may be employed by firms which provide or have in the past provided

services to the Funds or portfolio companies, such as legal services or operational consulting services. While this could create potential conflicts of interest between a given Fund and the relevant advisory board member, such potential conflicts are addressed in accordance with the applicable provisions of the Funds' limited partnership agreements.

From time to time one of our Funds may co-invest with another of our Funds. In the event such a co-investment is made, both Funds must invest in and dispose of such investment at the same time and on the same terms and conditions.

In accordance with the limited partnership agreements of the Funds, certain Graham Group entities and other related persons (the "Legacy Graham Entities"), which are deemed not to be affiliates of Inverness Graham under the Funds' limited partnership agreements, have historically owned limited partnership interests in the Funds and have often held advisory board representation with the Funds alongside of other limited partners. The Legacy Graham Entities and other investors have also historically been offered the opportunity to co-sponsor or co-invest (collectively "Co-Invest") in a portfolio company in which a Fund with remaining available capital is making an investment, particularly in instances in which the general partner seeks operational expertise or other expertise which can benefit the Fund that will be making the investment. Opportunities to Co-Invest are offered in accordance with the terms of the applicable limited partnership agreements of the Funds and generally do not require advisory board consent for the Funds. Pursuant to the limited partnership agreements of the Funds, the general partner of each Fund may only offer opportunities to Co-Invest to the extent the general partner believes it is appropriate to do so and the general partner may not reduce a Fund's level of investment in a transaction below that which the general partner deems appropriate or as required by the Funds' applicable governing documents. If a Legacy Graham Entity does Co-Invest with one of the Funds in a portfolio company, the transaction is disclosed in the quarterly financial statements and annual audited financial statements of the applicable Fund.

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

## **Item 12 Brokerage Practices**

Inverness Graham provides investment advice with respect to private investments. As such, the Firm's transactions are privately negotiated and do not involve the use of a broker or dealer for the execution of transactions. Due to the nature of the Firm's investment advice and relationship with the Funds, the Firm does not expect to recommend or select broker-dealers for transactions in the Funds.

To the extent we make investments across more than one Fund, we will aggregate such investments as we deem appropriate and in accordance with the Funds' limited partnership agreements and in the best interest of each Fund.

Inverness Graham may from time to time engage placement agents in connection with its fund-raising activities. However, the firm does not take fund raising activities into account when considering the brokers, it may engage to execute trades.

## **Item 13 Review of Accounts**

We manage the Funds on a day-to-day basis, as needed. The Funds' portfolio companies are closely reviewed by our Managing Principals and investment professionals.

Audited financial statements are prepared for each of the Funds following the end of each fiscal year, and unaudited financial statements are prepared for each of the Funds following the end of the first three fiscal quarters, in each case in accordance with the terms of the Funds' limited partnership agreements.

## **Item 14 Client Referrals and Other Compensation**

Inverness Graham or IGOG may provide certain operational consulting and other specialized advisory services to the Funds and their portfolio companies and may receive compensation from the Funds and their portfolio companies in connection with such services. These fees may be in addition to management fees. See Item 5 above for additional information.

Neither Inverness Graham nor any affiliate directly or indirectly compensates any person other than our officers, partners, directors or employees for investor referrals.

## **Item 15 Custody**

As required by the Advisers Act, Inverness Graham has established custody accounts with one or more qualified custodians to hold funds and securities on behalf of each of the Funds for which Inverness Graham is deemed to have custody. The Funds receive monthly or quarterly account statements from their respective qualified custodians, which we review carefully and reconcile periodically to our internal records

of the Funds' assets. In addition, independent public accountants audit each Fund's financial statements annually, and such audited financial statements are distributed to the Investors in each Fund within 120 days of fiscal year end.

#### **Item 16 Investment Discretion**

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

#### **Item 17 Voting Client Securities**

The Firm's investment strategy does not generally involve the acquisition of public securities with voting authority, making it unlikely that a Client will be placed in a position of proxy voting authority. However, if a Fund does come into possession of securities with voting rights, the Firm will implement the appropriate policies and procedures and seek to vote proxies in the best interests of the Fund.

#### **Item 18 Financial Information**

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

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

#### **Item 19 Requirements for State-Registered Advisers**

Not applicable.