

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

**BRENTWOOD PRIVATE EQUITY, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Brentwood Private Equity, LLC (“Brentwood Private Equity”). If you have any questions about the contents of this Brochure, please contact us at (310) 477-6611. 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.**

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

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## **MATERIAL CHANGES**

Brentwood Private Equity filed its most recent Brochure on November 4, 2020. This annual amendment updates the description of business practices of Brentwood Private Equity and its affiliates (collectively, “Brentwood”).

## **ADVISORY BUSINESS**

Brentwood Private Equity, a Delaware limited liability company that commenced operations in April 1999, is a private investment management firm and a registered investment adviser.

Brentwood, including Brentwood Private Equity IV, L.P. (“Brentwood IV”), Brentwood Private Equity V, L.P. (“Brentwood V”) and Brentwood Private Equity VI, L.P. (“Brentwood VI,” together with Brentwood Private Equity, Brentwood IV and Brentwood V, the “Advisers” or the “General Partners”), each a Delaware limited partnership, provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Each of the Advisers conducts business primarily under the name Brentwood Associates. Brentwood commenced operations in 1972.

Brentwood IV is the general partner of Brentwood Associates Private Equity IV, L.P. (“BAPE IV”) and BAPE IV - AIV, L.P. (“BAPE IV-AIV”), each a Delaware limited partnership. Brentwood V is the general partner of Brentwood Associates Private Equity V, L.P. (“BAPE V”), Brentwood Associates Private Equity V-A, L.P. (“BAPE V-A”), BAPE V Executive Fund, L.P. (“BAPE V Executive”) and LADEN Co-Investment Fund, L.P. (“LADEN”), each a Delaware limited partnership. Brentwood VI is the general partner of Brentwood Associates Private Equity VI, L.P. (“BAPE VI”), Brentwood Associates Private Equity VI-A, L.P. (“BAPE VI-A”) and BAPE VI Executive Fund, L.P. (“BAPE VI Executive”), each a Delaware limited partnership. Brentwood Associates Opportunities GP, L.P. (“BAO GP”) is expected to be the general partner of a future Fund.

Each of Brentwood IV, Brentwood V, Brentwood VI and BAO GP is subject to the Advisers Act pursuant to Brentwood Private Equity’s registration in accordance with SEC guidance. Brentwood Private Equity, Brentwood IV, Brentwood V, Brentwood VI and BAO GP operate as a single investment advisory firm and are under common control.

In addition, Brentwood Private Equity is the management company to BAPE IV, BAPE IV-AIV, BAPE V, BAPE V-A, BAPE V Executive, LADEN, BAPE VI, BAPE VI-A and BAPE VI Executive (each, a “Fund”, and, collectively, together with any future private investment fund managed by Brentwood, the “Funds”). Brentwood has the authority to manage the business and affairs of the Funds pursuant to the limited partnership or other operating agreements of the Funds (each, a “Partnership Agreement”) and/or respective management agreements with Brentwood IV, Brentwood V and Brentwood VI.

Brentwood is authorized, for tax, regulatory or other structuring reasons, determine that an investment that would otherwise be made through a Fund should be made through an alternative investment vehicle formed by Brentwood (an “Alternative Investment Vehicle”), subject to any

applicable limitations in the relevant Partnership Agreement. Brentwood also is permitted to establish Alternative Investment Vehicles in order to permit one or more investors (including co-investors) to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. There generally is limited discretion to invest the assets of Alternative Investment Vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Although each Fund invests predominantly in non-public companies, each Fund reserves the right to invest in public companies, subject to any limitations set forth in its Partnership Agreement. The Funds generally seek to take a controlling position when investing in a portfolio company, and generally at least one Brentwood Principal (as defined below) or other Brentwood investment professional serves on a portfolio company’s board of directors or other similar body in order to represent the applicable Fund’s interests in the portfolio company.

The Advisers’ advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “Memorandum”), management agreements and Partnership Agreements (as applicable, together with any relevant Memorandum, the “Governing Documents”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between an Adviser and any investor. Each Fund or its General Partner generally enter into side letters or other similar agreements (“Side Letters”) with certain investors that have the effect of establishing rights (including but not limited to information rights, transfer rights and the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons, or other rights) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

In addition, from time to time and as permitted by the relevant Partnership Agreement, the Advisers expect to provide co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants (including operating partners) and other service providers, Brentwood’s personnel and/or certain other persons associated with Brentwood and/or its affiliates (e.g., a vehicle formed by Brentwood’s Principals (as defined below) to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at substantially the same time and on substantially the same terms as the Fund 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) purchases a portion of an investment from one or more Funds after such Funds 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 investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally

occurs shortly after the Fund's completion of the investment. Where appropriate, and in Brentwood's sole discretion, Brentwood reserves the right to charge interest and/or fees on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions) to compensate the relevant Fund for the holding period, and to seek reimbursement to the relevant Fund for related costs.

As of December 31, 2020, Brentwood managed \$2,541,941,972 in client assets on a discretionary basis. Brentwood Private Equity is managed by its respective managing members, who are William M. Barnum, Jr., Eric G. Reiter, Steven W. Moore, Rahul Aggarwal and Craig Milius (collectively, the "Principals"). Each of Brentwood IV, Brentwood V, Brentwood VI and BAO GP is managed by its limited partners, who are the Principals. William M. Barnum, Jr. owns more than 25% of Brentwood Private Equity.

## **FEES AND COMPENSATION**

Brentwood IV received a management fee (the "Management Fee") with respect to services it provided to BAPE IV through August 18, 2019; no Management Fee is payable subsequent to that date. Brentwood V receives a Management Fee in connection with advisory services it provides to BAPE V and BAPE V-A and Brentwood VI receives a Management Fee in connection with the advisory services it provides to BAPE VI and BAPE VI-A. Brentwood IV was also entitled to a Management Fee for any investment made through an Alternative Investment Vehicle, including BAPE IV-AIV, on the same basis as investments made through BAPE IV. In such case, investors are not double-charged Management Fees for any such investments.

In providing its management services, Brentwood Private Equity incurs expenses on behalf of the Funds, which reimburse Brentwood Private Equity for these expenses. Each General Partner receives a carried interest with respect to the advisory services it provides to BAPE IV, BAPE IV-AIV, BAPE V, BAPE V-A, BAPE VI and BAPE VI-A, as applicable. For each Fund, the carried interest distributed to a General Partner is typically subject to a potential giveback during or at the end of the Fund's life if the General Partner has received excess cumulative distributions. BAPE V Executive, LADEN and BAPE VI Executive do not pay Management Fees or carried interest. Certain Alternative Investment Vehicles are not charged a separate Management Fee and/or carried interest.

To the extent specified in a Fund's Governing Documents and further described below, the Advisers will be permitted to receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable to the Advisers. Investors in the Funds also bear certain expenses. Investors should review the applicable Fund's Partnership Agreement for details regarding the fee structures summarized below. Terms not defined herein are defined in the applicable Partnership Agreement.

### **Management Fees**

#### **BAPE IV and BAPE IV-AIV**

With respect to BAPE IV, Brentwood IV initially received an annual Management Fee of 2.0% of commitments (subject to potential reductions due to offsets under certain circumstances

as described in more detail below and in the Partnership Agreement). The Management Fee commenced on the effective date of BAPE IV, and the Partnership Agreement provides for a reduction in the Management Fee upon certain events that have already occurred and the termination of BAPE IV's obligation to pay Management Fees after August 18, 2019. Through that date, the Management Fee was equal to the actual blended fee percentage per annum applicable to the last period before the fee was reduced (2.0%), multiplied by aggregate funded commitments less aggregate distributions representing a return of capital and, without duplication, complete write-offs; provided that distributions with respect to sold portfolio company investments were only included in such calculation to the extent that the amount invested in such portfolio company exceeded the aggregate fair market value of all remaining investments in such portfolio company, as described in the Partnership Agreement.

As more fully described in the Partnership Agreement, the Management Fee generally was offset (but not below zero) by BAPE IV's share (but not by the share of any co-investors or co-investment vehicles) of certain income received by Brentwood IV or Brentwood Persons (as defined in the Partnership Agreement) (which does not include operating partners) from BAPE IV's portfolio companies for each semi-annual period immediately succeeding the semi-annual period in which such income was received, in each case as follows:

- Break-Up, Transaction, and Directors Fees: 100% of the Non-Affiliated Partners' Percentage (*i.e.* the fraction of the aggregate commitments of all partners other than "affiliated partners" (as designated by the General Partner in its sole discretion) over the aggregate commitments of all partners, expressed as a percentage) of such fees.
- Co-Invest and Monitoring Fees: 80% of the Non-Affiliated Partners' Percentage of such fees.

#### BAPE V and BAPE V-A

BAPE V and BAPE V-A generally pay Brentwood V a Management Fee on a semiannual basis, partially in advance and partially in arrears, equal to 2% per annum of the Non-Affiliated Partners' Percentage of aggregate funded commitments less aggregate distributions representing a return of capital with respect to investments that have been disposed of or written off for U.S. federal income tax purposes, in each case as determined in accordance with the Partnership Agreement. Notwithstanding the foregoing, commencing with the first Management Fee due date after the dissolution of BAPE V and BAPE V-A and until the final distribution of their assets, the Management Fee for each subsequent Management Fee due date shall be determined based upon an annual operating budget prepared by Brentwood V and approved by BAPE V and BAPE V-A's advisory board. As more fully described in the Partnership Agreement, the Management Fee is generally reduced (but not below zero) by BAPE V and BAPE V-A's share (but not by the share of any co-investors or co-investment vehicles) of income received by Brentwood V or Brentwood Persons (as defined in the Partnership Agreement) (which does not include operating partners) from BAPE V and BAPE V-A's portfolio companies for each semi-annual period immediately succeeding the semi-annual period in which the fees specified below were received, in each case as follows: Break-Up, Co-Invest, Transaction, Monitoring and Directors Fees: 100% of the Non-Affiliated Partners' Percentage of such fees.

## BAPE VI and BAPE VI-A

BAPE VI and BAPE VI-A generally pay Brentwood VI a Management Fee on a semi-annual basis, partially in advance and partially in arrears, equal to 2% per annum of the Non-Affiliated Partners' Percentage of aggregate commitments. Beginning on the first Management Fee due date after the earliest to occur of the expiration of the investment period or certain other events specified in the Partnership Agreement, the Management Fee will be reduced to an amount equal to 2% on an annual basis of the Non-Affiliated Partners' Percentage of (x) investment contributions with respect to investments that have not been disposed of less (y) the aggregate amount of any permanent write down, as determined in accordance with the Partnership Agreement.

Notwithstanding the foregoing, commencing with the first Management Fee due date after the dissolution of BAPE VI and BAPE VI-A (and until the third anniversary of the dissolution of BAPE VI and BAPE VI-A), the Management Fee shall be determined based upon an annual operating budget prepared by Brentwood VI and approved by BAPE VI and BAPE VI-A's advisory board. As more fully described in the Partnership Agreement, the Management Fee is generally reduced (but not below zero) by 100% of the Non-Affiliated Partners' Percentage (and not by the share of any co-investors or co-investment vehicles) of transaction fees and co-invest fees received by Brentwood VI or Brentwood Persons (as defined in the Partnership Agreement) (which does not include operating partners) from BAPE VI and BAPE VI-A portfolio companies for each semi-annual period immediately succeeding the semi-annual period in which the transaction fee or co-invest fee was received.

### **Other Management Fee Information**

Management Fees are payable semi-annually, partially in advance and partially in arrears. Installments of the Management Fee payable for any period other than a full six-month period are adjusted on a *pro rata* basis according to the actual number of days in such period. With respect to BAPE V, BAPE V-A, BAPE VI and BAPE VI-A, Management Fees with respect to a final semi-annual period of any calendar year may be paid in one or more installments on any date after July 15 during such period. Unless otherwise agreed with investors, the fees of the type described above that offset or reduce Management Fees generally will be payable even if Management Fees are reduced or eliminated, including during any term extensions. Where the Governing Documents calculate Management Fees based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Governing Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Certain Partnership Agreements permit the relevant General Partner to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant 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 such Fund. The limited partners 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 the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. 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.

In certain circumstances, co-investors, lenders, consultants or other parties negotiate the right to share a portion of the above-described income from fees received by a General Partner or its affiliates (*e.g.*, transaction fees) with respect to a particular investment, and the above-described offset percentages will be applied after excluding any amounts paid to such persons.

Additionally, as further described below and in the applicable Memorandum and/or Partnership Agreement of certain Funds, it is the Advisers' practice to use or retain certain operating partners to provide services to (or with respect to) one or more funds or certain portfolio companies in which one or more Funds invest. Such operating partners generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds (directly or indirectly, including through BPE Growth & Operations, LLC as described below) to which they provide services and such amounts generally will not result in additional offsets to the Management Fee; however, in certain cases so notified to the relevant Funds, the relevant General Partner has in its sole discretion adopted a policy that provides that certain such amounts will be offset which may be modified from time to time or terminated in such General Partner's sole discretion.

### **Carried Interest**

Brentwood IV will receive a carried interest with respect to BAPE IV and BAPE IV-AIV equal to 20% of all realized profits in excess of an 8% compound preferred return subject to a General Partner catch-up provision, as more fully described in the applicable Partnership Agreements. Brentwood V and Brentwood VI will receive a carried interest with respect to BAPE V and BAPE V-A, and BAPE VI and BAPE VI-A, respectively, equal to 20% of all realized profits in excess of an 8% compound preferred return subject to a General Partner catch-up provision, as more fully described in the applicable Partnership Agreements. In addition to the general potential giveback of carried interest at the end of a Fund's life if the General Partner has received excess cumulative distributions, Brentwood V and Brentwood VI are subject to interim giveback obligations, as specified in the applicable Partnership Agreement.

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

### **Other Information**

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

Principals or other current or former employees of Brentwood 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 Brentwood Private Equity or its affiliates.



In addition, the General Partners are permitted to exempt certain Fund investors, including the Advisers and their affiliates and “affiliated partners,” from payment of all or a portion of Management Fees and/or carried interest. The General Partners reserve the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by the applicable General Partner and/or its affiliates, or through other Funds which co-invest with the applicable Fund. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

In addition to the Management Fee and carried interest payable to the Advisers, the Funds bear certain expenses. As set forth more fully in the applicable Governing Documents, the Funds generally bear all fees, costs, organizational expenses, liabilities and obligations, subject to certain exceptions set forth in the Partnership Agreement, together with all expenses relating to the Fund’s (and its subsidiaries’ and intermediate entities’) activities, investments and business to the extent not reimbursed by portfolio companies or applied to reduce transaction fees, including costs and expenses attributable to structuring, organizing, acquiring, managing (including the costs of hosting or attending training programs, meetings or other events for portfolio companies and/or their personnel), operating, holding, valuing, winding up, liquidating, dissolving and disposing of such Fund’s investments, legal, indemnification, filing, accounting, auditing, investment banking, research, consulting (including operating partners), administration, communications, marketing and publicity, information, real estate title, appraisal, advisory, valuation, tax and other third-party experts and/or professional services, brokerage, finder, placement agent, custodial, depository, trustee, transfer, record keeping, registration, indebtedness of, or guarantees made by, a Fund, a General Partner, Brentwood or, under the circumstances set forth in the Partnership Agreement, any limited partner on behalf of a Fund, loan administration, private placement fees, insurance (including, without limitation, directors and officers liability, errors and omissions liability and general partnership liability premiums and other insurance expenses), travel (including the cost of using a private aircraft or other private air travel at a cost commensurate with the cost of first class commercial airfare (including the use of a private aircraft owned or partially owned by Brentwood or its affiliates)), meal and entertainment expenses, lodging and ground transportation (including car service), financing, commitment, origination and similar fees, the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), developing, licensing, printing, publicity, implementing or maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools for the benefit of a Fund, any activities with respect to protecting the confidential or non-public nature of any information or data, limited partner advisory board (including meetings), broken deal fees and expenses (such as break-up or topping fees) (including any expenses related to a potential syndication, travel or after hour meals or car services) (collectively, “**Broken Deal Expenses**”), interest, taxes and other governmental fees and charges, expenses incurred in connection with any tax audit, investment settlement or review, distributions to limited partners, acquisition, holding and disposition of investments, complying with any law or regulation related to the activities of a Fund, any litigation or governmental inquiry, investigation or proceeding, including the amount of any judgments, settlements or fines paid in connection therewith, extraordinary expenses, expenses incurred by a Fund or an Adviser in connection with the annual and other periodic meetings including limited partner meetings, if any (and related meal and entertainment expenses), limited partner gifts, and

other similar fees and expenses including fees and expenses related to transactions that may have been offered to co-investors, dissolution, liquidation, final winding up and termination of the Funds, amendments, waivers, consents or approvals related to a Fund's constituent documents, but not the Advisers' expenses in connection with maintaining and operating their offices (such as compensation of its employees, rent, utilities and general office expenses; excluding, for the avoidance of doubt, operating partner fees and expenses). The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Brentwood and/or its affiliates. In addition, as a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships, arrangements and agreements relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses 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 and the portfolio company. To the extent holding or intermediate entities include one or more special purpose acquisition companies ("SPACs"), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the Governing Documents, such interests are permitted to be issued to Brentwood Private Equity and its personnel. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. As is typical for private equity funds, the Funds 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."

In certain circumstances, one Fund is expected to pay an expense or obligation common to multiple Funds (including, without limitation, legal expenses for a transaction in which multiple Funds participate, or other fees or expenses or obligations in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds for their share of such expense, without interest. To the extent the paying Fund makes use of a credit facility to pay such expense, it generally will not be reimbursed separately by other Funds for use of the facility. In certain circumstances, Brentwood, the relevant General Partner or an affiliate thereof is expected to advance amounts related to the foregoing and receive reimbursement from the Funds, without interest, to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Brentwood's related policies and practices and the relevant Partnership Agreement(s) and/or Side Letter(s). A General Partner may receive compensation, including Management Fees and

carried interest, for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Where a co-invest vehicle is formed to invest in a portfolio company, such portfolio company and/or its investors generally will bear expenses (directly or indirectly) related to such investment, some of which are similar in nature to those borne by the Funds. 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 would otherwise be beneficial, in the judgment of Brentwood, ultimately is not consummated, Broken Deal Expenses relating to such proposed transaction are expected to be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction, subject to Brentwood's sole discretion. In exercising such discretion Brentwood will consider the timing of the transaction, market conditions and other factors. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such co-investor or vehicle is expected to bear its share of Broken Deal Expenses. Also, to the extent that a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

Furthermore, as described more fully in the applicable Fund's Governing Documents, certain of Brentwood's affiliates intend, from time to time, to provide services to (or with respect to) certain portfolio companies in which a Fund invests. In connection with such services, such persons receive fees and other compensation from such portfolio companies. Brentwood and/or its affiliates generally have discretion over whether to charge such fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Brentwood and/or its affiliates on the other hand.

## **Operations Group**

Additionally, Brentwood engages certain operating partners 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, in each case, as and to the extent permitted by the relevant Partnership Agreement(s). Such operating partners include persons retained or employed by Brentwood Private Equity, a General Partner or their affiliates, including BPE Growth & Operations, LLC, as well as other consultants. Such operating partners generally provide services in relation to manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, portfolio company acquisition, due diligence and disposition, and similar services. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating partners receive compensation, including, but not limited to cash fees, retainers, discretionary bonuses (whether or not based on predetermined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company, profits or equity interests in one or more Funds or General Partners, remuneration from Brentwood, its Funds or affiliates and/or portfolio companies, guaranteed minimums, or other compensation, the amount of which typically are 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 partners, a percentage of the value of the portfolio company, and/or the amounts believed to be charged by other providers for comparable services. Compensation in the form of profits or equity interests in a portfolio company

or intermediate holding company generally has a dilutive impact on the Fund's investment, and the relevant Fund typically will bear the costs of all operating partner compensation as well as fees, costs and expenses of structuring operating partner arrangements. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services, and in certain circumstances are expected to be allowed to invest (whether directly or through vehicles they or Brentwood manages) in portfolio companies they have identified or with respect to which they provide services or other strategic benefits. As described above, such amounts will not offset or reduce the Management Fee except to the extent the relevant General Partner has notified the relevant Fund that it has adopted a policy offsetting certain such amounts. The use of operating partners 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," Brentwood IV receives a carried interest from BAPE IV (and BAPE IV-AIV), Brentwood V receives a carried interest allocation on certain realized profits in BAPE V and BAPE V-A, and Brentwood VI receives a carried interest allocation on certain realized profits in BAPE VI and BAPE VI-A. None of BAPE V Executive, LADEN or BAPE VI Executive are charged a performance-based fee. The Advisers believe that this arrangement does not pose a conflict since the Funds are the primary investment vehicles for Brentwood's investors, and BAPE V Executive's ability to co-invest alongside BAPE V and BAPE V-A, LADEN's ability to co-invest alongside BAPE V and BAPE VI Executive's ability to co-invest alongside BAPE VI and BAPE VI-A, are subject to limitations set forth in the applicable Partnership Agreements, including limitations on capital BAPE V Executive, LADEN and BAPE VI Executive can raise.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Brentwood generally considers performance-based compensation to better align its interests with those of its investors. Additionally, to the extent that Brentwood has Funds with varying carried interest terms and/or Brentwood personnel are assigned varying percentages of carried interest from the Funds, Brentwood and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. Brentwood seeks to address the potential for conflicts of interest in these matters with allocation policies and practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and its Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Brentwood or any personnel.

#### **TYPES OF CLIENTS**

Brentwood provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to Brentwood's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors

participating in the Funds 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, current and former principals or other employees of Brentwood Private Equity and its affiliates and members of their families, operating partners or other service providers retained by Brentwood Private Equity and its affiliates, as well as executives of portfolio companies. As indicated above, Brentwood is also permitted from time to time to establish Alternative Investment Vehicles.

The Funds generally have a minimum investment amount of \$10 million for third-party investors. The General Partners expect to waive such minimum investment amount from time to time. BAPE V Executive and BAPE VI Executive are investment vehicles for certain Brentwood personnel and do not have a minimum investment amount. LADEN is a limited partner co-invest vehicle.

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

### **General**

Brentwood Private Equity provides certain day-to-day investment advisory services to the Funds, subject to the role of the applicable General Partner. Each Fund's investment committee retains ultimate decision-making authority for such Fund. The Advisers have common owners and personnel. Accordingly, the Advisers' general investment methodology is described below. Investors should refer to the applicable Governing Documents for further information regarding investment strategies employed for a specific Fund.

The Advisers generally focus on investing in middle-market consumer and consumer-related sectors, including business-to-business opportunities, in which they can leverage their sector expertise to accelerate growth and increase enterprise value. The Advisers' investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. The Advisers invest the Funds' assets predominantly in private companies although investments in public companies are permitted, subject to any restrictions in the Partnership Agreements.

There can be no assurance that the Advisers will achieve the investment objectives of each Fund and a loss of investment is possible.

### **Investment and Operating Strategy**

The Advisers' investment strategy for the Funds generally focuses on making control investments via recapitalizations, management buyouts and growth equity investments. The typical investment is between \$30 million and \$125 million. The Advisers seek to target category-defining brands with exceptional customer loyalty and attractive prospects for growth. They will seek to leverage Brentwood's deep expertise in relevant sectors – particularly branded consumer products, multi-location strategies, direct-to-customer marketers, niche brands with specialty distribution, and education and business services – to implement meaningful strategic and operational enhancements and unlock the growth potential of their investments.

## Investment Process

*Investment Origination and Screening.* The Advisers originate their investment opportunities both through direct sourcing efforts in their targeted sectors of expertise as well as through intermediaries. In each of their targeted sectors, the Advisers have built relationships with operating executives and industry resources that provide industry insights into specific companies, management teams, and trends which form the basis for investment ideas. The Advisers leverage their reputation to produce a relevant and regular flow of transaction ideas.

*Due Diligence and Investment Decisions.* The Advisers typically employ two to three Principals and two to three additional professionals to conduct a rigorous and comprehensive analysis of each potential investment. The transaction team conducts an extensive management, business, industry, competitive and financial review of the potential investment. Each team is responsible for organizing internal resources and utilizing third-party resources, such as consulting, accounting, tax, insurance and legal professionals. As an investment opportunity progresses, the Advisers will begin seeking additional input from executives and industry resources from their extensive network. If appropriate, these contacts can also serve as resources for any management team changes or augmentation that the Advisers identify, or can also serve as board members, consultants and/or co-investors.<sup>1</sup> Concurrent with this intensive review, the Advisers identify opportunities for operating enhancements and strategy modifications that comprise the foundation of near-term operating plans. The Advisers regularly hold review meetings to discuss the status and critical issues of potential new investments. While the Advisers' culture emphasizes the meaningful participation of the entire professional staff, final investment decisions are made by the Principals.

*Transaction Structuring.* The Advisers typically invest in control situations, relying on a variety of structures, including recapitalizations, management buyouts, and growth equity investments. Most investments include financial control or, at a minimum, strategic elements of control, such as board representation, approval or veto rights over key business decisions, preferred equity with liquidation preference or debt-like securities with warrants. Professionals of the Advisers often constitute a majority of the board of director seats or board of director votes, though the Advisers also actively recruit independent directors with meaningful relevant experience, when appropriate. The Advisers seek to carefully tailor portfolio company capital structures to provide sufficient flexibility for the execution of the company's growth plans. As a result, the Advisers typically utilize moderate financial leverage to allow for significant reinvestment of capital for growth. Given that the Advisers seek investments with high unlevered returns on internally invested capital and multiple growth opportunities, most investments are not reliant upon financial leverage. The Advisers may also seek preferred equity structures in situations where existing entrepreneurs maintain a meaningful operating role and a significant equity roll-over investment, while maintaining equity upside characteristics. The Advisers seek to structure attractive risk-

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<sup>1</sup> Any fees, compensation, expense reimbursements or other amounts received by these executives and industry resources generally are paid by a portfolio company or prospective portfolio company or, subject to the terms and conditions of the applicable Fund's Partnership Agreement, by the Fund, and do not offset the Fund's Management Fee.

adjusted returns typically through a combination of moderate leverage and, where appropriate, equity structuring.

*Investment Criteria.* In assessing potential transactions, the Advisers seek investments in portfolio companies that demonstrate, or with the Advisers' resources have the potential to achieve, the following characteristics: experienced management leadership with aligned incentives; strong performance culture focused on the customer; differentiation that is tangible to the customer; clear path to long-term growth; and high returns on invested capital.

*Realization and Exits.* The Advisers believe their growth focus provides them with flexibility with respect to the timing and method of exit, creating the potential for the optimization of proceeds from each realization. The Advisers' growth strategy seeks to create companies that are attractive to strategic buyers, as well as financial buyers seeking platforms for further growth. In certain portfolio companies where rapid and extensive reinvestment of capital is a continuing part of the growth strategy, the Advisers may seek partial liquidity through an initial public offering. The Funds typically hold investments between four and seven years, although the timing of realizations will vary based on the market conditions of the industry sector, the company's execution of its long-term growth strategy, and the general tenor of debt and equity financial markets.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's Memorandum for information regarding risks specific to each Fund. In general, the risks involved with the Advisers' investment strategy and an investment in each Fund include, but are not limited to, those described below.

*Business Risks.* A Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period are difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance; Loss of Principal.* The performance of the Principals' or a Fund's prior investments is not necessarily indicative of such Fund's future results. While the General Partner intends for a Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the 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 an investment once made.

*Concentration of Investments; Lack of Diversification.* A Fund will likely participate in a limited number of investments. 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. If a Fund co-invests with another private equity fund, a limited partner invested in such other fund would have exposure to a single portfolio company through more than one fund, potentially multiplying such limited partner's losses.

Given the Principals' experience in certain core industries and the structural requirements of operating the Funds, a Fund reserves the right to seek to make investments in a single industry segment, in a limited geographic area, in a single asset type and/or within a short period of time, which could create the conditions for a portfolio of investments that exhibit, amongst themselves, a very high degree of correlated returns. As a result of the foregoing, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry, or the timing of such Fund's investments, may substantially affect such Fund's aggregate return. In addition to the foregoing, because a Fund may only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single investment could severely affect total returns. If certain investments perform unfavorably, then in order for a Fund to achieve above-average returns, one or a few of its investments must perform very well, and there can be no assurances that this will be the case.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments.

*Impacts of Excuse or Exclusion.* A limited partner's participation in a Fund's investments may be limited by virtue of the Fund's General Partner's right to exclude a limited partner from, or a limited partner's right to be excused from, participating in certain of such Fund's investments as set forth in the applicable Partnership Agreement, thereby increasing the participation of other limited partners. As a consequence of one or more limited partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating limited partners could be adversely affected in a material manner by the unfavorable performance of even one investment by a Fund.

*Unspecified Investments.* Limited partners will be relying on the ability of the relevant General Partner to locate and evaluate the investments to be made by a Fund. The activity of identifying, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that a General Partner will be able to locate or a Fund will be able to complete portfolio investments that satisfy such Fund's rate of return objectives or, if completed, realize such investments for fair or attractive values or that such Fund will be able fully to invest its committed capital.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive. A Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates. Over the past several years, an ever-increasing number of private equity funds have been or are being formed, and many existing funds have grown in size. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant



experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than the Advisers and their affiliates.

The General Partners expect that competition for appropriate investment opportunities will continue to increase, which may also require a Fund to continue to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to such Fund and/or adversely affecting the terms upon which portfolio investments can be made.

To the extent that a Fund encounters competition for investments, returns to limited partners may decrease. In addition, it is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. Moreover, limited partners will be required to bear Management Fees through the relevant Fund during the investment period based on the entire amount of the limited partners' commitments and other expenses as set forth in the applicable Partnership Agreement.

*Dynamic Investment Strategy.* While the Advisers generally intend to seek attractive returns for the Funds primarily through making private equity investments as described in the applicable Memorandum and Partnership Agreement, the Advisers reserve the right to pursue additional investment strategies and are permitted to modify or depart from their initial investment strategy, investment process and investment techniques to the extent the Advisers determine such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). The Advisers are permitted to pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. A Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by such Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, the ability to exit an investment through the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which the relevant Fund invests and an active mergers and acquisitions (or recapitalizations and reorganizations) market. Public offering, merger and acquisition and recapitalization and reorganization opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, a Fund generally will not be able to realize proceeds from an investment in a privately-held entity until the sale of such entity. 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 such Fund's capital, including unfunded commitments.

*Leveraged Investments; Borrowing.* Each Fund generally is permitted to make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to forecast accurately, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, a Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from the portfolio company that would adversely affect such Fund's ability to generate attractive investment returns for such Fund as a whole. Any failure by lenders to provide previously committed financing could also expose a Fund to potential claims by sellers of businesses which such Fund may have been contracted to purchase.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding). Any use of leverage by a Fund generally will result in fees, interest expenses and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. Fund-level borrowings typically are longer term in nature. A Fund is permitted to incur leverage on a joint and several basis with one or more other Funds and entities managed by the Advisers or any of their affiliates and, in connection with incurring such indebtedness, an Adviser may, in its sole discretion, cause the relevant Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when a Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. In addition, to the extent a Fund incurs leverage or provides any guaranty, such amounts are permitted to be secured by the capital commitments of such Fund's investors and other Fund assets. The inability of a Fund to repay any leverage secured by the capital commitments of such Fund's investors could enable a lender to issue a capital call on behalf of the General Partner of such Fund.

*Restricted Nature of Investment Positions.* Generally, there is no readily available market for a substantial number of a Fund's investments, and hence, most of the Fund's investments are

difficult to value. Certain investments may be distributed in kind to the partners of a Fund 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 partners. After a distribution of securities is made to the partners, many partners 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 partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to an Adviser with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a Fund will be vested entirely with the General Partner, and such Fund's 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 a Fund's ability to realize its investment objectives. In addition, the Principals currently, and in the future are expected to, 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 generally pose conflicts of interest in the allocation of the time of the Principals. Limited partners of a Fund generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund depends entirely on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities. Although the General Partner will monitor the performance of each Fund investment, it is primarily the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although a Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company.

*Uncertainty of Projections.* A Fund will use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by an Adviser in its 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. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in any projections will be attained, and actual results may be significantly different from projections.

*Changes in Investment Focus.* A Fund is not restricted in terms of the percentage of its capital that can be invested in a particular industry. While this Brochure contains a description of the types of investments that the Funds have historically made and information about the General Partners' expectations with respect to the Funds, many factors may contribute to changes in emphasis in the construction of a portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in

particular countries. There can be no assurance that the investment portfolio of a Fund will resemble the portfolio of any prior Fund.

*Risks in Effecting Operating Improvements.* In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of such Fund to effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that such Fund will be able to successfully identify and implement such improvements.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, a General Partner will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and such General Partner may rely on the advice received from such third parties. Investment analyses and decisions by such General Partner will often be undertaken on an expedited basis in order for the relevant Fund to take advantage of investment opportunities. In such cases, the information available to such General Partner at the time of an investment decision may be limited, and such General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Conflicting Investor Interests.* Limited partners of a Fund will, from time to time, have conflicting investment, tax, and other interests with respect to their investments in the Fund, 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 limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, a General Partner generally will consider the investment and tax objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

*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 a Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and

the public perception that certain alternative asset managers, including private equity firms, contributed to any past downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

*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.

*Non-U.S. Investments.* A Fund expects to selectively and opportunistically invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Investments in non-U.S. securities or instruments involve certain factors not typically associated with investing in U.S. securities and instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. Dollar and the various non-U.S. currencies in which such Fund's non-U.S. investments are denominated (including risks associated with potentially rapid inflation), and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which such Fund invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic, governmental or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation; (vii) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments; (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for such Fund and/or the partners; (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

*Non-U.S. Currency Risks.* Although many of a Fund's investments are expected to be U.S. Dollar denominated, such Fund's investments that are denominated in non-U.S. currencies are subject to the risk that the value of the particular currency in which such investment is denominated will change in relation to the U.S. Dollar, the currency in which the books of such Fund are kept and contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances between nations, the level of short-term interest rates, differences in relative value of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. A Fund may incur costs in converting investment proceeds from one currency to another. A General Partner may, but it is under no obligation to, employ hedging techniques to manage exposure, although there can be no assurance that such strategies will be effective.

Non-U.S. prospective investors should note that interests in a Fund are denominated in U.S. Dollars. Limited partners in a Fund in any country in which U.S. Dollars are not the local currency should note that changes in value of foreign exchange between the U.S. and such currency may have an adverse effect on the value, price or income of the investment to such prospective investors. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions. The fees, costs and expenses incurred by limited partners in converting their local currency to U.S. Dollars (if applicable) in order to make capital contributions will be borne solely by such limited partners and will be in addition to the amounts required by such capital contributions (and are not part of such limited partners' commitments).

*Significant Adverse Consequences for Default.* Each Partnership Agreement provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting limited partner may be forced to transfer its interest in a 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 from Subsequent Closings.* Limited partners admitted or that increase their respective Commitments to a Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner 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 a Fund's existing investments at the time of such contributions.

*Non-controlling Investments.* A Fund expects, from time to time, hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it will not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio

companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to a Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or the Advisers generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that a Fund's General Partner and its affiliates will obtain certain types of material information from or relating to a Fund'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 Advisers' control. Decisions by the Advisers or their 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 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 Advisers and their performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund 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 succeeds in asserting confidentiality for requested documents and other materials, and the Advisers reserve the right to withhold certain information from investors subject to such laws for reasons relating to the Advisers' public reputation, business strategy or other reasons.

*Director Liability.* A Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests (each, a "Board Representative"). In those instances where a Fund is not the sole shareholder of the applicable portfolio company, a Board Representative will have duties to persons other than such Fund. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Board Representative, and ultimately the applicable 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 against 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.

*Advisory Board.* The General Partner generally appoints limited partner representatives to the advisory boards of the relevant Funds, which have the ability to review and waive compliance with certain provisions of applicable Partnership Agreements, including resolving potential conflicts of interest situations, and whose approval is required or may be requested in certain circumstances under the applicable Partnership Agreement, including certain approvals or consents required by the Advisers Act. To the extent set forth in the applicable Partnership Agreement, all limited partners of a Fund are bound by the determinations of the advisory board, regardless of whether a limited partner is represented by a member of the relevant advisory board. The Partnership Agreements generally provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to a Fund or any other

partner. Members of the advisory board may have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory board for consideration or review. Members of the advisory board may have various business and other relationships with Brentwood and its members, partners, managers, directors, officers, employees and affiliates. These relationships may influence their decisions as members of the advisory board. To the extent that a limited partner is not represented by a member of the relevant advisory board, such limited partner will have no influence over matters submitted to such advisory board for review or approval.

*Hedging Arrangements.* A General Partner is permitted (but is not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a General Partner 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.

*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 a Fund and its 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 such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's 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 COVID-19, have and are resulting in market 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 the Funds.

The COVID-19 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. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. 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, steep increases in unemployment levels in the United States and several other countries, 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 any resulting decline in economic and commercial activity — 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 (including the effectiveness of vaccines and the implementation of vaccination programs) 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 and economies are able to “re-open,” 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 the Funds. The extent of the impact on the Funds’ and their 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 include 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 the Funds 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 the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill

their 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 the Funds, their portfolio companies, the Advisers 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.

*Remote Work Environment.* The COVID-19 pandemic significantly affected firms' day-to-day operations across the securities industry, including requiring firms to transition most or all their staff to remote work environments and implement remote supervisory practices. Brentwood and its clients' business operations may be vulnerable to disruption related to Brentwood's ongoing supervision and monitoring of staff, communication with clients and investors, protection of Brentwood and client information and other privacy and information security concerns. Although Brentwood has implemented various measures to manage such risks inherent in maintaining remote work environments, there can be no assurances that all such measures will be successful. If such vulnerabilities continue for extended periods of time, clients may be adversely affected.

*Business Continuity and Disaster Recovery.* Brentwood and its clients' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although Brentwood has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, Brentwood's clients may be adversely affected.

*Subscription Lines.* Each Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of a Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital sooner than the General Partner would have otherwise called capital to repay the subscription line in the ordinary course, if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund may be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as

legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the establishment, maintenance, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Partnership Agreement, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. In addition, the General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse Brentwood for expenses incurred on behalf of the Fund.

*General Economic and Market Conditions.* The private equity industry generally and the success of a Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by each General Partner. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect such Fund's 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 a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to 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 a Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event such Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Fund to dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to obtain funding to support its investment objective. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure and may be magnified by the expected limited geographic diversity of such Fund's investments.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, the Funds' ability to generate attractive investment returns may be adversely affected to the extent such Funds are unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Funds to realize their investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While a Fund is permitted to seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact a Fund's profitability.

*Public Company Holdings.* A Fund may invest in securities and debt issued by publicly held companies. Such investments may subject the 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.

*Material, Non-Public Information.* From time to time, the Advisers and their personnel may come into possession of confidential or material, non-public information concerning specific companies, including as a result of certain Adviser personnel serving as officers or on the boards of directors. Under applicable securities laws, this may limit an Adviser's flexibility to buy or sell securities issued by such companies. A Fund's investment flexibility may be constrained as a consequence of an Adviser's inability to use such information for investment purposes, and such Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Advisers' internal policies.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain 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 Brentwood intends to manage each Fund's investments to minimize any such exposure, the Funds may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where a Fund may own an 80% or greater interest in such a portfolio company. If a 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 such Fund and the companies in which such Fund invests 80% or more of the equity. This discussion is based on current court decisions, statutes 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 relevant Adviser will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each Adviser will determine the value of all the relevant Funds' 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 relevant Adviser 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 an Adviser with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable

industries such as the food services and retail industries. 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Advisers, or one any one of their service providers holding financial or investor data, Advisers, their affiliates or the Funds may also be at risk of loss.

*Operational Risk.* The success of the Funds depends on the ability of the Advisers to operate effectively and efficiently. There is the risk of loss resulting from inadequate or failed procedures, systems or policies of the Advisers, and may include, among others, employee errors, systems failures, criminal activity, cyber-breaches or other external events that significantly disrupt business operations.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions ("Privacy Laws") 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 Advisers, the General Partners, the Funds 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 Advisers, the General Partners, the Funds 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, as amended, 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 Advisers, the General Partners, the Funds and/or their portfolio companies.

## **Conflicts of Interest**

Brentwood 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 providing transaction-related, legal, management and other services to Funds and portfolio companies. Brentwood will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Brentwood conducting its activities, the interests of a Fund may conflict with the interests of Brentwood, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Brentwood will determine all matters relating to structuring transactions and Fund 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 boards of the participating Funds.

During a Fund's investment period, all appropriate investment opportunities will be pursued by the Principals through such Fund, subject to certain exceptions set forth in the Fund's Governing Documents and Brentwood's Allocation Policy. Without limitation, the Principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Brentwood personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. The Principals and Brentwood'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 a Fund's investment period, the Principals reserve the right to and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, Brentwood personnel are permitted to serve on boards or act in other roles unaffiliated with Brentwood, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

From time to time, Brentwood 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 Brentwood. In determining which investment vehicles should participate in such investment opportunities, Brentwood and its affiliates are subject to potential conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Partnership Agreement, Brentwood is not obligated to recommend any investment to any particular

investment vehicle. Investments by more than one client of Brentwood in a portfolio company have the potential to raise the risk of using assets of a client of Brentwood to support positions taken by other clients of Brentwood.

Brentwood must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Brentwood generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, investment objectives, stage of the Fund's life and the level of the Fund's invested capital. Following such determination of allocation among Funds, Brentwood will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors as noted above, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and Brentwood's Allocation Policy. Brentwood's policy permits it to take into consideration a variety of factors in making co-investment determinations, including but not limited to: expressed interest in co-investment opportunities and the sector(s) contemplated by such opportunities; historical experience with co-investments; capacity to fund; expertise of the prospective co-investor and/or any similar strategic advantages that may result from a person's participation in a co-investment opportunity *e.g.*, whether an investor may be a source of future deal flow for the Fund; perceived ability to quickly execute on transactions; whether the person is an existing Fund investor including the amount of their commitment, and/or the likelihood that a person may invest in a future fund sponsored by Brentwood or its affiliates; potential conflicts of interest and other appropriate factors. Although a prospective co-investor's willingness to invest in future Funds may be considered by Brentwood, it generally will not be the sole determining factor considered by Brentwood in identifying co-investors.

Furthermore, Brentwood or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities may be made by Brentwood or its related persons in consultation with other participants in the relevant transactions, such as a lender or co-sponsor, and in certain circumstances Brentwood expects to allocate co-investment opportunities to investors that make co-investments through vehicles managed by such investors. Co-investment opportunities typically will, be offered to some and not to other limited partners of the Funds, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of Brentwood and its affiliates make capital investments in or alongside certain Funds, Brentwood 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 participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Brentwood'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 Brentwood will allocate investment opportunities in a manner that it believes in good faith 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 Brentwood expects to be subject, discussed herein, did not exist.

In certain cases, Brentwood will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Brentwood will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be presented to one or more existing Fund investors.

Potential conflicts are expected to arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment, although Brentwood generally intends to structure multi-Fund investments with a view to aligning interests of the Funds involved. A Fund 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. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund 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. Brentwood reserves the right from time to time express to inconsistent views of commonly held investments or of market conditions more generally. Further, there can be no assurance that the relevant Fund 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. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds 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 may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Brentwood will allocate fees and expenses in a manner that it believes in good faith 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, Brentwood expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated, directly or indirectly, among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind, subject to the applicable Partnership Agreement(s). In all such cases, subject to the applicable Partnership Agreement, expense allocation decisions will generally be made by Brentwood or its affiliates using their reasonable 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 or co-invest vehicles receiving related benefits or proportionately in accordance

with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Brentwood. The Funds 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 bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, Brentwood and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Brentwood 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 Brentwood and/or its affiliates. Except to the extent such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Brentwood.

Additionally, a portfolio company typically will reimburse Brentwood or service providers retained at Brentwood's discretion for expenses (including without limitation travel expenses) incurred by Brentwood or such service providers in connection with its performance of services for such portfolio company. This discretion subjects Brentwood and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Brentwood determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices and the applicable Partnership Agreement. 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 Brentwood or such service providers generally is subject to agreements with portfolio company management teams. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, Brentwood, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Brentwood's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Brentwood and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Brentwood Information"). In many cases, Brentwood Information will include tools, procedures and resources developed by Brentwood to organize or systematize Brentwood Information for ongoing or future use. Although Brentwood expects its Funds and their portfolio companies generally to benefit from Brentwood's possession of Brentwood Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which Brentwood Information was originally received. Brentwood Information will be the sole intellectual property of Brentwood and solely for the use of Brentwood. Brentwood reserves the right to use, share, license, sell or monetize Brentwood Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points,"

“cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

Brentwood generally exercises its discretion to recommend to a Fund 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) Brentwood or a related person of Brentwood (which may include a portfolio company of such Fund), (ii) an entity with which Brentwood or its affiliates or current or former members of their personnel has a relationship or from which Brentwood or its affiliates or their personnel otherwise derives financial or other benefit (including operating partners) or (iii) certain limited partners or their affiliates. For example, Brentwood expects to be presented with opportunities to receive financing and/or other services in connection with a Fund’s investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects Brentwood to conflicts of interest, because although Brentwood 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, Brentwood has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Brentwood, 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 or Brentwood), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Brentwood will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Brentwood 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. Brentwood undertakes no minimum amount of benchmarking rates, and does not represent that any such benchmarking ultimately will be accurate, comparable or relates specifically to the assets or services to which such rates or terms relate. Whether or not Brentwood 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.

From time to time Brentwood causes a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Brentwood, or co-investors or co-investment vehicles. Such transactions 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 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 supports the value of portfolio companies owned by another Fund. 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 relevant Funds’ Partnership Agreements or otherwise in the sole discretion of Brentwood, Brentwood reserves the right to seek to mitigate such conflicts by seeking the opinion

of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price at the expense of the relevant Funds) or by obtaining the consent of each Fund's advisory board to such transactions, although Brentwood does not expect to do so with respect to re-balancing an investment among parallel investing entities or a post-close sell down of an investment to co-investors. In certain circumstances, Brentwood 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. Brentwood 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 Brentwood 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 each such case, Brentwood 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.

Brentwood and/or its affiliates reserve the right to employ personnel with preexisting ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Brentwood and/or its affiliates; conversely, current or former personnel or executives of Brentwood and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Brentwood. Similarly, Brentwood, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers, co-investors and other market participants, including but not limited to managers of private funds, banks, lenders and brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, family offices, 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, Brentwood and/or its affiliates, and/or the Funds or other investment vehicles they advise or their portfolio companies, including introducing investment opportunities to Brentwood, arranging for, or facilitating the financing of, the purchase or recapitalization of current and potential portfolio companies, introducing portfolio companies to potential acquisition or merger candidates, facilitating the disposition of portfolio companies, and providing investment banking, consulting, legal or advisory services. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Brentwood entities) to Brentwood personnel and their estate planning vehicles. Such third parties may also provide goods or services to or have business, personal, political, financial or other relationships with the Principals. In addition, such third parties may invest in one or more Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to Brentwood, the Funds and/or their portfolio companies. The cost of any services provided by such third parties will generally be borne directly or indirectly by the Funds or their portfolio companies,

as applicable. Brentwood expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund 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, will provide Brentwood information about markets and industries in which Brentwood operates (or is contemplating operations) or will provide other services that are beneficial to Brentwood or one or more other Funds. Brentwood expects to be subject to a potential conflict of interest in making such recommendations, in that Brentwood 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.

Brentwood, its affiliates, and equity holders, officers, Principals and employees of Brentwood and its affiliates may buy or sell securities or other instruments that Brentwood has recommended to a Fund. In addition, officers, Principals and employees may buy securities in transactions deemed unsuitable for a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in Brentwood's Code (as defined below). The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Brentwood have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with these investments.

Except to the extent prohibited by the Governing Documents, Brentwood and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-"assignment" provisions of the Advisers Act, Brentwood and its personnel are also permitted to offer, restructure and monetize interests in Brentwood.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to operating partners and third party consultants (including consultants introduced or arranged by Brentwood 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 except to the extent the relevant General Partner has notified the relevant Fund that it has adopted a policy offsetting certain such amounts. Operating partners generally are expected to be, but are not in all cases, affiliated with Brentwood and to make use of the resources of Brentwood and/or its affiliates. Brentwood and/or its affiliates reserve the right to compensate certain such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide compensation calculated or determined using other methods. Operating partners generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Management Fee of certain Funds. To the extent that operating partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the operating partner's services at a time when fewer portfolio companies

or Funds make use of such operating partner. Although the use of operating partners and the allocation of compensation paid to them by Brentwood, its affiliates and/or the portfolio companies subjects Brentwood and/or its affiliates to potential conflicts of interest, Brentwood believes that such potential conflicts have the potential to be reduced by the anticipated 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 partner is lower than market rates for the services provided and/or if the services of the operating partner align with Brentwood's model for the portfolio company and improve portfolio company performance. Although Brentwood seeks to use or retain operating partners with a view to improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Brentwood also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Brentwood believes will align such persons' interests with those of the Funds' limited partners, and seeks to use or retain only operating partners 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 Brentwood may not otherwise have done so.

Since Brentwood is permitted to retain certain fees (as described under "Fees and Compensation") in connection with Fund investments (e.g., monitoring fees and transaction fees), it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, such fees are based on a flat amount established with Aurora and/or its affiliates at the time of engagement, or enterprise value, revenues or other metrics relating to a portfolio company, and there can be no assurance that the amount of such fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, Brentwood, its personnel, affiliates or others designated by Brentwood could from time to time receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Governing Documents are applied, Brentwood and/or such other recipients will be permitted to retain such securities, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Brentwood or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund.) In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation. For the avoidance of doubt, operating partners are expected from time to time to receive a profits or equity interest in a portfolio company without offset against the Management Fee, and in such cases would be subject to similar potential conflicts of interest. See "Fees and Compensation – Operations Group" for further details. In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Brentwood reserves the right to accrue, defer or forego compensation payments, and reserves the

right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

Brentwood and/or its affiliates generally enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to, information rights, specialized reporting, co-investment notice rights, transfer rights, the right to opt- out of certain investments or other rights. Side Letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by Governing Documents, 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, 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.

Brentwood has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Brentwood has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be directly involved in such arrangements.

From time to time Brentwood and its affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds 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 Brentwood and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, and because Brentwood believes there is a business benefit to internal testing and use of portfolio company products and services, Brentwood believes that the potential for conflicts of interest relating to such discounts is mitigated.

Any of these situations subjects Brentwood and/or its affiliates to potential conflicts of interest. Brentwood attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Brentwood’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 under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Brentwood will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Brentwood consults and receives consent to conflicts from an advisory board consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

## **DISCIPLINARY INFORMATION**

Brentwood 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**

Brentwood Private Equity is affiliated with Brentwood IV, Brentwood V, Brentwood VI and BAO GP, and equivalent entities formed from time to time, each an investment adviser and each subject to the Advisers Act pursuant to Brentwood Private Equity's registration in accordance with SEC guidance. Certain of the Principals, officers, employees and/or consultants of Brentwood IV, Brentwood V, Brentwood VI and BAO GP serve Brentwood Private Equity or other Brentwood affiliates in a similar capacity. These entities operate as a single advisory business together with Brentwood Private Equity and serve as general partners of the Funds 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**

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of Brentwood Principals and employees and addresses conflicts that arise from personal trading. The Code requires Brentwood personnel to report their personal securities transactions, requires pre-clearance for directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or a private placement, and prohibits Brentwood personnel from directly or indirectly acquiring beneficial ownership of certain securities, without first obtaining approval from Brentwood's 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 Brentwood's Chief Compliance Officer at (310) 477-6611. 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.

The Advisers and their 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, the Advisers and their 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 Advisers.

Accordingly, if the Advisers or any of their affiliated persons come into possession of material non-public or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to the Funds (or any other clients), and the Advisers will have no responsibility or liability for failing to disclose such information to the Funds (or any other clients) as a result of following the Advisers' policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a



result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of Brentwood Private Equity and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including through BAPE V Executive, BAPE VI Executive or another co-investment vehicle. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as the Funds. Co-invest opportunities generally are also expected to be presented to certain affiliates of Brentwood, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Brentwood will determine the allocation of investment opportunities in a manner that it believes is fair and equitable to its clients consistent with the applicable Partnership Agreements and Brentwood's policies and procedures as discussed above.

The Advisers and their 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, as 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 Governing Documents and investment programs of certain Funds generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds or be subject to limitations (*e.g.*, by time or percentage of capital deployed).

In borrowing on behalf of a Fund, Brentwood is subject to conflicts of interest between repaying the Fund's obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. The relevant General Partner on occasion will participate in a Fund-level borrowing facility, and generally will bear the related costs attributable thereto; however, the General Partner will not participate nor bear costs associated with Management Fees or other expenses not typically charged to the relevant Fund. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to

limited partners will be commensurate with such costs. Brentwood will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with Brentwood's obligations to the Fund under the Governing Documents.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers reserve the right to distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although Brentwood 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 an Adviser 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, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser 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.

The Advisers have 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 the Advisers generally seek competitive commission rates, the Advisers 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 the Advisers 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 Brentwood generally does not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers' Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by the Advisers, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund. Research services may be shared between Brentwood and its affiliates.

The Advisers will not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers in their discretion reserve the right to cause the Funds to pay such brokers a commission for effecting portfolio transactions in

excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This generally arises where the Adviser has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Adviser would not be required to place or attempt to place a specified Dollar value on the brokerage or research services provided by such broker.

The Advisers will periodically determine which brokers have provided research that has been helpful in the management of the Funds. To the extent consistent with the Advisers' goal to obtain best execution for their clients, the Advisers reserve the right to seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Advisers allocate brokerage business on the basis of research services, they expect to have an incentive to select or recommend broker-dealers based on their interest in receiving such research or other products or services, rather than based on the Funds' interest in receiving most favorable execution.

To the extent that Brentwood engages in significant public securities transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, Brentwood also reserves the right to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Brentwood expects, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of Brentwood is favored over any other Fund.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible; provided Brentwood believes they are fair and equitable to its clients under the circumstances over time.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Funds invest, and Brentwood's Chief Compliance Officer periodically reviews each Fund's investments to confirm that each Fund is invested in accordance with its stated investment objectives.

Each Fund generally provides to its limited partners: (i) annual GAAP audited financial reports and quarterly unaudited financial reports and (ii) annual tax information necessary for each limited partner's tax return.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and their affiliates reserve the right to enter into solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any placement fee payable to any such placement agents generally is borne by the Advisers directly or indirectly through an offset against the applicable Fund's Management Fee under the Governing Documents, 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).

## **CUSTODY**

The Advisers maintain custody of each Fund's assets held in each Fund's name with one or more of the following qualified custodians: Merrill Lynch, Pierce, Fenner & Smith, Inc., First Republic Bank and Citibank, N.A.

The Advisers arrange for the Funds' financial statements to be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with Rule 206(4)-2 of the Advisers Act. The Advisers make those audited financial statements available to all Fund investors within 120 days of the end of each Fund's fiscal year.

## **INVESTMENT DISCRETION**

Each General Partner has discretionary authority to manage investments on behalf of its Fund. As a general policy, the General Partners do not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, the General Partners and/or their affiliates generally enter into Side Letters with certain limited partners that have the effect of altering or varying, among other terms, the terms applicable to such limited partner's investment in the Fund, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Each General Partner assumes this authority pursuant to the terms of the applicable Partnership Agreement, and powers of attorney executed by the limited partners of the Fund.

## **VOTING CLIENT SECURITIES**

The Advisers have adopted the Brentwood Proxy Voting Policies and Procedures (the "Proxy Policy") to address how they will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds' investors through the Principals' beneficial ownership interests in the Funds 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 Brentwood may address the conflict using several alternatives, including by seeking the approval or concurrence of the 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 an Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Brentwood personnel or the Advisers' 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 the Advisers when voting proxies on behalf of the Funds. Clients or investors who would like a copy of the Advisers' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact Brentwood's Chief Compliance Officer at (310) 477-6611, and such information will be provided at no charge.

#### **FINANCIAL INFORMATION**

Brentwood 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.