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## **YUKON PARTNERS MANAGEMENT, L.L.C.**

### **Form ADV Part 2A**

**March 25, 2021**

This brochure provides information about the qualifications and business practices of Yukon Partners Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at (612) 435-7800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Yukon Partners Management, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Yukon Partners Management, L.L.C. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of any registered investment adviser are intended to provide you with information which you may use in determining whether to hire or retain a registered investment adviser.



## **Item 2 – Material Changes**

As of March 25, 2021, Yukon is submitting its annual amendment to the Brochure. There have not been any material changes to Yukon’s investment advisory business since the last annual amendment to this Brochure was filed on March 23, 2020.

Yukon urges all current and prospective investors to review this Brochure in its entirety.

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#### **Item 4 – Advisory Business**

Yukon Partners Management, L.L.C. (“Yukon”) provides advisory and management services to mezzanine private investment funds (the “Yukon Funds”). Each Yukon Fund vintage year program typically includes “main” and “parallel” Funds. A parallel Fund will generally invest side-by-side with the corresponding main Fund in all portfolio investments on the basis of available capital and each parallel Fund will be responsible for its pro rata share of expenses.

Yukon was formed on February 26, 2008. Since its formation in 2008, Mr. Michael J. Hall and Mr. William L. Dietz have been the sole owners and managers of Yukon.

Yukon typically invests in subordinated debt securities and equity or equity-related securities with a typical investment size of \$10 million to \$50 million. The Yukon Funds will focus on investing in stable, cash-generating, middle-market companies headquartered in North America in partnership with leading and established private equity sponsors. Yukon’s expected transaction types include buyouts, recapitalizations and acquisitions. Yukon seeks to make investments that have the potential to generate significant current income and provide the potential for meaningful upside through equity participation. Its investments will primarily take the form of subordinated debt (often with warrants), preferred equity and minority common stock. Consistent with past practices, Yukon expects to be the lead mezzanine investor in the majority of its investments. Please refer to Item 8 for additional information about the investment strategies pursued by Yukon and their associated risks.

Yukon provides investment advisory services solely to each Yukon Fund, and not to investors in those funds. No investment advisory relationship exists between Yukon and any investors in the Yukon Funds. To the extent any investor in a Yukon Fund desires any advice regarding its own investment decisions, it should engage its own financial, legal, tax, accounting and other advisors. Each investor and its own advisors are responsible for conducting their own analysis and due diligence to the full extent they deem necessary, and based on such independent analysis, each investor must make its own decisions regarding whether and when to invest in any Yukon Fund.

Affiliates of Yukon serve as the general partners of the Yukon Funds (each a “GP” and collectively the “GPs”). Each GP has full and exclusive management authority over all investments, asset dispositions, distributions, and other affairs of their respective Fund. Each GP is a related person of Yukon and is under common control with Yukon. While the GPs maintain ultimate discretionary investment authority, Yukon has been delegated the role of investment adviser for the Funds. The GPs and their members and personnel will be subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and rules thereunder, and to all of Yukon’s compliance policies and procedures. Each of the members of the GPs will be deemed “persons associated with” Yukon (as that term is defined in section 202(a)(17) of the Advisers Act) and will be subject to SEC examination. As such, references to Yukon in this Brochure should also be considered references to the GPs in the appropriate context.

Yukon provides advisory services to each Yukon Fund pursuant to an agreement entered into by Yukon and each of the Funds. Each Yukon Fund is governed by a limited partnership agreement or similar document that sets forth the specific investment guidelines and restrictions applicable to each Fund (the “Governing Documents”). In addition, investors in the Funds are provided with a Private Placement Memorandum or similar offering documents prior to their investment, which also contain information regarding the intended investment program for such Fund.



Depending on the size and other relevant factors associated with an investment opportunity, investment allocation decisions may be made with respect to offering (or otherwise making available) to one or more third parties the opportunity to co-invest in an investment opportunity alongside one or more Yukon Funds. In making this determination, Yukon will first ensure that the applicable Yukon Funds receive the full amount of their desired allocation with respect to a particular investment opportunity prior to offering (or otherwise making available) to any third party the opportunity to co-invest alongside such Funds in any surplus portion of such investment opportunity. Yukon may, in its sole discretion, offer (or otherwise make available) the opportunity to co-invest in one or more Fund portfolio companies to one or more persons (including, but not limited to, Fund investors and third parties) and is under no obligation to offer (or otherwise make available) such opportunity to any Fund investor or any third party.

All assets of the Yukon Funds are managed by Yukon on a discretionary basis, subject only to the investment limitations described above or as otherwise set forth in the management agreement and/or limited partnership agreements.

As of December 31, 2020, Yukon's total regulatory assets under management were approximately \$1,297,750,879. Regulatory assets under management have been calculated separately for each Yukon Fund by determining the current fair value of such fund's assets and the contractual amount of any uncalled commitments to such Fund.



## **Item 5 – Fees and Compensation**

In general, Yukon charges each Fund an annual management fee, payable quarterly in advance, that is typically a specified percentage of either the aggregate limited partner capital commitments to the Fund or the Fund's aggregate cost basis of unrealized invested capital (as applicable). All investors and prospective investors should review the governing documents of each Fund in conjunction with this Brochure for complete information on the fees and compensation payable with respect to a particular Fund. Management fees are paid to Yukon in accordance with the related management agreements and limited partnership agreements for each Yukon Fund.

The management fees described above are generally non-negotiable as between Yukon and its clients, the Yukon Funds, except that certain investors in a Yukon Fund may negotiate, and be granted, a reduction of such management fees prior to or concurrently with becoming an investor in the Fund. Additionally, limited partners of Yukon Funds who are affiliated with Yukon are not required to pay management fees.

Management fees are generally paid pursuant to capital calls made quarterly on the limited partners of each Yukon Fund. However, if and to the extent a Yukon Fund has cash on hand as a result of dividends or interest income received from portfolio investments or proceeds from the repayment of principal or disposition of a portfolio investment, Yukon and the general partner of such Yukon Fund generally have the discretion to pay management fees to Yukon from such cash on hand.

Yukon or its affiliates may receive portfolio companies director's fees, transaction fees, monitoring fees, closing fees, amendment fees, break-up fees and other similar advisory fees. 100% of all such fees paid by portfolio companies that are received by Yukon, the GPs, or any of their affiliates, net of any related expenses, will be applied to reduce the management fee otherwise payable by investors.

In addition, the GPs of the Funds are entitled to receive a performance-based fee in the form of a carried interest on the profits of the respective Funds in accordance with the provisions of each Fund's limited partnership agreement. Carried interest payments (if any) are made from time to time when cash distributions are otherwise made to the partners of the Yukon Fund. See Item 6 below for additional information.

Each Yukon Fund bears all of the organizational and offering expenses (excluding any placement fees) incurred in connection with the formation of the fund, its general partner and any other necessary related entities, up to a specified maximum amount set forth in the related limited partnership agreement for such fund. Each Yukon Fund will reimburse Yukon (or the GP of the relevant Fund) for such expenses to the extent that any such expenses are borne by Yukon (or the GP) directly on behalf of the Fund.

Each Yukon Fund is also responsible for all other expenses attributable to its activities, whether incurred directly by the Fund or by its general partner or Yukon on its behalf, including but not limited to:

- fees and expenses relating to consummated portfolio investments, and/or contemplated but unconsummated investments, and temporary investments, including but not limited to travel legal, accounting, auditing, consulting, brokerage, and financing commitment fees, transfer taxes, and registration costs in connection with such investments to the extent that such fees and expenses are not reimbursed by a portfolio company or other third person;



- premiums for legal insurance protecting the fund and any indemnified persons from liabilities to third persons in connection with fund affairs, including, if deemed appropriate, key man life insurance for principals of Yukon;
- legal, custodial and accounting expenses, including expenses associated with the preparation of the Fund's financial statements, tax returns and Schedule K-1's and the representation of the Fund or its partners by the tax matters partner;
- all expenses of the Advisory Committee and any other Yukon Fund committee or board;
- all litigation expenses;
- all unreimbursed out-of-pocket fees and expenses incurred by any Yukon Fund, the GPs, Yukon, or their affiliates in connection with any conference or meeting of such fund or communications with the limited partners;
- expenses related to vehicles through or in which portfolio investments may be made;
- taxes and other governmental charges, fees and duties payable by the Fund;
- interest and expenses payable by the Fund on any indebtedness incurred by the Fund;
- expenses relating to defaults in capital contribution funding obligations;
- costs of winding up and liquidating the Fund; and
- any other fees and expenses to be borne by the Fund under the terms of the fund's limited partnership agreement.

As a general matter, Fund expenses that relate to multiple Funds will typically be allocated amongst all relevant Funds to the extent such Funds are required to reimburse (or otherwise pay) expenses of that kind pursuant to the terms of their respective governing documents. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Yukon or its affiliates using their best judgment, and consistent with their fiduciary duties, considering such factors as they deem relevant in their sole discretion. The allocation of such shared expenses may not be proportional in each and every case. Different Funds may (and, in certain instances, do) have different expense reimbursement terms, which could (and, in relevant instances, do) result in the Funds bearing different levels of expenses with respect to the same investment.

Neither Yukon nor any of its personnel receive compensation for the purchase or sale of securities or other investment products by the Yukon Funds. Yukon generally causes the Yukon Funds to purchase securities through private placement transactions, without the assistance of a broker or dealer and without the payment of a brokerage commission or other transaction costs. Item 12 contains further information on the factors that Yukon considers in the event that a broker-dealer is used for client transactions.

**It is critical that investors refer to the relevant PPM and limited partnership agreement for a complete understanding of the types of fees and other compensation received by Yukon (or the**



**respective GP) for services provided to the Funds. The information contained herein is a summary only and is qualified in its entirety by such documents.**





## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As noted in Item 5 above, the GPs, which are affiliates of Yukon, are entitled to receive a performance-based fee in the form of a carried interest typically equal to 20% of their respective Fund's profits, subject to satisfaction of a preferred return (typically 8%) to each respective Fund's investors. All investors and prospective investors should review the governing documents of each Fund in conjunction with this Brochure for complete information on the fees and compensation payable with respect to a particular Fund. Performance-based fees are paid to Yukon in accordance with the related governing documents of each Yukon Fund.

The fact that the GPs receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Yukon or the GPs to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. Yukon believes that this incentive is tempered by the significant capital commitment of the GPs (and their affiliates) in the Funds and by the fact that losses will diminish the Funds' performance and thus reduce the carried interest allocation to the GPs. In addition, investors are provided with clear disclosure in the relevant PPM as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment. Further, to minimize conflicts of interest arising from performance-based compensation arrangements, Yukon has adopted certain investment allocation guidelines and restrictions on when successor Yukon Funds can be raised with the approval and agreement of Yukon Fund limited partners to ensure that the allocation of investment opportunities to the Yukon Funds is undertaken in a fair and equitable manner.



## **Item 7 – Types of Clients**

Yukon currently provides advisory and management services solely to private investment funds. A minimum capital commitment of \$5 million is generally required of an investor in a Yukon Fund, provided that this minimum has been waived from time to time and may be waived by a fund's general partner in its discretion.

Interests in the Funds are offered only to certain qualified investors. Admission to the Funds is not, and will not be, open to the general public. Limited partnership interests of the Funds will be sold only to "accredited investors" as defined under Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

In certain cases, the GPs may, and have, entered into side letter agreements with certain investors in a Fund establishing rights under, or supplementing or altering the terms of, the applicable Governing Documents (including without limitation, "most favored nations" rights, reporting rights, regulatory reporting requirements, confidentiality provisions, modified or reduced fees, and certain other protections). Once invested in a Fund, Investors generally cannot impose additional investment guidelines or restrictions on such Fund. Except in limited circumstances, Investors are not permitted to withdraw from a Fund prior to such Fund's dissolution.



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

In providing advisory services to the Yukon Funds, Yukon generally makes mezzanine investments in buyouts, recapitalizations and acquisitions of middle-market companies headquartered in North America, in partnership with private equity sponsors. Yukon's investments primarily take the form of subordinated debt, which may be combined with equity participation rights or enhancements such as common equity warrants or common stock.

Following each investment, Yukon is actively involved with their private equity sponsor partners and portfolio companies. Yukon typically obtains board observation rights in connection with its fund investments. In addition to its participation in board of director meetings, Yukon also monitors monthly operating data and financial performance reports from its portfolio companies and maintains regular contact with portfolio company senior management. Even after the debt security is redeemed, Yukon continues to actively monitor the equity portion, if any, of the remaining investment.

Investing in securities involves risk of loss that investors in Yukon Funds should be prepared to bear. Yukon in no way guarantees performance or results. The return of capital and the realization of gains in the portfolio of a Yukon Fund will generally occur only upon the partial or complete disposition of an investment by the fund. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after an initial investment has been made. There can be no assurance that there will be a current return on investments made by a Yukon Fund. Because a Yukon Fund may only make a limited number of investments and since the fund's investments generally will involve a high degree of risk, poor performance by a few investments could severely affect total returns.

Yukon's investments will typically be subordinated to the obligations held by its private equity sponsor partners, either contractually or structurally (in the case of debt securities), or due to the nature of the security (in the case of preferred or common stock). Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same portfolio company. Adverse changes in a portfolio company's financial condition or general economic conditions may impair the ability of the portfolio company to make payments on the subordinated securities, resulting in defaults on such securities more quickly than on the senior obligations of the same portfolio company.

Risks affecting investment in debt securities and obligations entails normal credit risks, such as the risk of non-payment of interest and principal. A debt security or obligation may be subject to redemption at the option of the issuer, in which case a Yukon Fund may be required to permit the issuer to call for redemption a debt security or obligation at its option. Early redemptions of fund investments could have an adverse effect on a Yukon Fund's cash-on-cash return objective.

The activity of identifying, completing and realizing mezzanine financings is highly competitive and involves a high degree of uncertainty. Yukon competes for investments with other mezzanine investment vehicles, as well as individuals, financial institutions and other institutional investors. Further, over the past several years, an increasing number of mezzanine funds have been formed (and many such existing funds have grown in size and have sizable undrawn commitments). Additional funds with similar investment objectives may exist or be formed in the future by other unrelated parties. There can be no assurance that Yukon will be able to identify and complete investments in portfolio companies that satisfy the rate of return objectives of a Yukon Fund, or realize the values of such investments, or that it will be able to fully invest its committed capital.



The investment strategy of Yukon involves providing financing to portfolio companies with proven operating management in place. However, there can be no assurance that such management will continue to operate successfully. Although Yukon monitors the performance of each investment, the Yukon Funds rely upon portfolio company management to continue to operate the company on a day-to-day basis and upon the equity sponsors who control the boards of directors of the portfolio companies to select qualified management for such companies.

The Yukon Funds' investments may include portfolio companies with significant levels of debt, which are inherently sensitive to declines in revenues and to increases in expenses and interest rates and to adverse general economic conditions. The securities in which the Yukon Funds invest are generally among the most junior in a portfolio company's capital structure. As such, the inability of a portfolio company to service its debt obligations could result in a loss of the investment.

Yukon, the Funds and each Fund's portfolio companies generally rely on information technology systems for current and planned operations. Information and technology systems of Yukon and each Fund's portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, Yukon, a Fund and/or a portfolio company may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the fund's investment results and its ability to make distributions to its partners. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Yukon's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Yukon's, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Fund investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a Fund, a portfolio company or a counterparty thereof) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a Fund or a portfolio company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a Fund or a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest specifically. Any of the foregoing may therefore adversely affect the performance of a Fund and its investments.

The impact of disease and epidemics may have a negative impact on a Fund and its portfolio companies and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the

outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general economic decline. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China (“COVID-19”) and has spread around the world, with resulting business and social disruption of a significant nature. Governmental agencies and private sector participants have sought to mitigate the adverse effects of COVID-19, which have included such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel and other restrictions, and, more recently, the medical community has developed multiple vaccines that have proven effective in studies and are currently being rolled out to various segments of the population. Yukon’s operations and business results, including with respect to a Fund and its portfolio, could - be materially adversely affected by the COVID-19 outbreak for the future if delays in vaccination rollouts, or new variants of the virus prove immune to vaccinations and business and social disruption of a significant nature were to occur again.

**It is critical that investors refer to the relevant PPM for a complete understanding of the material risks involved in an investment in the Funds. The information contained herein is a summary only and is qualified in its entirety by such documents.**



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

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the advisor or the integrity of its management. Yukon has no history of any disciplinary action.



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

Registered investment advisors are required to disclose any relationship or arrangement with certain industries or industry professionals that may be material to their advisory business or to their clients. Yukon has no such relationships to disclose.

Yukon holds an annual event for certain private equity sponsors in appreciation of their business. Yukon provides a suite for guests to watch certain sporting events, along with dinner that evening and the previous evening. Yukon also hosts a hunting event each fall for certain investors and private equity sponsors of the Fund. The purpose of these long standing events is to maintain strong business relationships and discuss market updates with attendees.

As described in Item 4 above, the GPs are the general partners of the Funds with absolute investment authority for such entities. While the GPs maintain ultimate discretionary investment authority, Yukon has been delegated the role of investment adviser for the Funds. While the GPs are not separately registered as investment advisers with the SEC, the GPs are related persons of Yukon and are reported as “relying advisers” on Yukon’s Form ADV. All of the investment advisory activities of the GPs are subject to the Advisers Act and the rules thereunder, and to Yukon’s compliance policies and procedures, as described in Item 4, above.

As discussed in Item 5 above, Yukon and its affiliates may receive certain transaction, directors’, consulting, advisory and other similar fees from portfolio companies associated with investments, monitoring, or proposed investments or commitments made by the Funds. Although such additional compensation may give rise to potential conflicts of interest, Yukon addresses this conflict by offsetting 100% of such fees against the Management Fees otherwise payable by the Funds, as described under Item 5 above.

In addition, each of the Funds has established an Advisory Committee appointed by the respective Fund’s general partner and comprised of certain investors in the Fund not affiliated with Yukon or the GPs. The Advisory Committee provides such advice and counsel as is requested by the GPs in connection with a respective Fund’s investments, potential conflicts of interest, and other Fund matters.



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

Yukon has adopted a Code of Ethics designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act. The Code of Ethics applies to all supervised persons of the firm and describes Yukon's high standard of business conduct and fiduciary duty to its clients. The Code of Ethics is set forth in Yukon's Compliance Manual, and includes provisions relating to registration and licensing requirements, a prohibition on insider trading, disclosure requirements, and personal securities trading procedures, among other things. The Code of Ethics requires Yukon's supervised persons to comply with applicable federal securities laws and to promptly bring violations of the Code of Ethics to the attention of the Chief Compliance Officer. All supervised persons at Yukon are provided with a copy of the Code of Ethics and must acknowledge the terms of the Code of Ethics upon hire and annually thereafter, or when and as amended. Yukon's clients or prospective clients, and investors or prospective investors in the Yukon Funds, may request a copy of the firm's Code of Ethics by contacting us at (612) 435-7800.

Yukon anticipates that, in appropriate circumstances, consistent with the investment objectives of a Yukon Fund, it may cause a Yukon Fund to purchase or sell securities in which Yukon, its affiliates and/or other clients, directly or indirectly, have a position or interest. Yukon's employees and other associated persons are required to follow Yukon's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, managers and employees of Yukon and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the Yukon Funds.

The Code of Ethics sets forth certain reporting and pre-clearance requirements with respect to personal trading by supervised persons. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Yukon will not interfere with (i) making decisions in the best interest of the Yukon Funds and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, all Yukon employees are required to provide a list of all personal/related accounts to the firm, as well as transaction reports and quarterly account statements so that employee trading may be continually monitored in order to prevent conflicts of interest between Yukon and the Yukon Funds. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the Yukon Funds, there is a possibility that employees might benefit from market activity by a Yukon Fund in a security held by an employee.

Yukon's general policy requires each employee to place the interests of the Yukon Funds above their own. Yukon's Compliance Manual contains a Policy Regarding Insider Trading which prohibits employees from purchasing or selling stock for personal accounts immediately before a Yukon Fund's planned purchase or sale of which such employee has knowledge.



**Item 12 – Brokerage Practices**

With respect to the portfolio companies in which Yukon Funds invest, the securities of such portfolio companies are generally purchased through private placement transactions, without the assistance of a broker or dealer and without the payment of a brokerage commission. In those rare instances where a broker or dealer may need to be used to effect a securities transaction on behalf of a Yukon Fund, Yukon has discretion to determine, without the consent of the Yukon Funds or their limited partners, the broker or dealer to be used and the commission rates to be paid. Yukon will endeavor in good faith to obtain the best execution of brokerage transactions for the Yukon Funds and select brokers and dealers through which to effect transactions on behalf of the Yukon Funds on the basis of various factors. Best price, giving effect to commissions and commission equivalents, if any, and other transaction costs will normally be important factors in this decision, but the selection may also take into account the quality of brokerage services, including such factors as execution capability, willingness to commit capital, creditworthiness and financial stability, financial responsibility, responsiveness and clearance and settlement capability. Accordingly, where a broker or dealer is used, transactions may not always be executed at the lowest available price or commission. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.



### **Item 13 – Review of Accounts**

Yukon reviews and evaluates the investment plans and strategies of the Yukon Funds, and reconciles each fund's accounts (and those of their respective investors) on a monthly basis. Investors in the Yukon Funds receive quarterly account statements. The accounts of the Yukon Funds are reviewed by Yukon's Chief Financial Officer and Chief Compliance Officer/Controller. Investors in the Yukon Funds receive, in written form, (i) annual audited financial statements of the related funds within 120 days following the end of each year, (ii) quarterly reports within 45 days of the end of each of the first three quarters of each year providing summary financial and other information on the fund's activities and (iii) tax information as required for tax filings.

The annual financial statements for each Yukon Fund are audited by an independent accounting firm selected by the general partner.



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

Yukon does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients. Neither Yukon nor any related person directly or indirectly compensates any person for referrals of clients to Yukon, as the only clients of Yukon are the Yukon Funds. Yukon has entered into arrangements with certain firms and individuals which provide for the payment of fees based upon the referral of investors who sign binding subscription agreements for the purchase of limited partnership interests in a Yukon Funds; however, as described above, investors in the Yukon Funds are not advisory clients of Yukon.



## **Item 15 – Custody**

Pursuant to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Yukon is deemed to have custody of the Funds’ assets because affiliates of Yukon serve as the general partners of the Funds. Yukon maintains custody of the assets of the Yukon Funds through the use of qualified custodians that are not related to Yukon. The Yukon Funds, which constitute Yukon’s clients, receive account statements directly from the qualified custodians. Yukon then provides written reports to the investors in the Yukon Funds on a periodic basis. See Item 13 above.

To ensure compliance with the Custody Rule, Yukon will ensure that the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) and that the audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund’s fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Yukon.

As Yukon’s investment program exclusively involves investments in private companies, Yukon generally will be exempt from the requirement that securities be maintained with a “qualified custodian.” Yukon anticipates that many of its investments in private companies will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the issuer’s outstanding securities.

To the extent that Yukon’s investments in private companies involve securities that are certificated, but also are acquired from the issuer in a private transaction or chain of transactions and subject to restrictions on transfer (as referenced above), Yukon will not be required to maintain such private stock certificates or certificated LLC interests with a qualified custodian, provided the certificates are appropriately safeguarded by Yukon and can be replaced upon loss or destruction, in accordance with applicable guidance issued by the SEC’s Division of Investment Management. If Yukon is otherwise unable to rely on the privately offered securities exception of the Custody Rule, Yukon will maintain such securities with a qualified custodian (i.e., a bank or registered broker-dealer).



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

All assets of the Yukon Funds are managed by Yukon on a discretionary basis, subject only to the investment limitations described above or as otherwise set forth in the related management agreements and/or limited partnership agreements. See Item 4 above.



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

Yukon does not vote the securities held by the Yukon Funds. The respective general partner of the Yukon Funds, which is an affiliate of Yukon, votes the securities held by the related Yukon Fund.

Pursuant to Advisers Act Rule 206(4)-6, registered investment advisers that exercise voting authority with respect to client securities are required to have proxy voting policies and procedures. Based upon Yukon's business as a private equity fund manager (and lack of involvement in publicly-traded equities) it is not expected that much proxy voting, if any, will occur.

Most of the portfolio companies held by the Funds are private companies, which typically do not issue proxies. However, in the event proxies have to be voted, Yukon (or its affiliates) would have authority to vote proxies on behalf of Funds. Yukon has adopted and implemented written policies and procedures governing the voting activities on behalf of its Funds in accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act. Its proxy voting activities are conducted in a manner consistent, under all circumstances, with the best interest of the Funds.

In exercising its voting discretion, Yukon and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. A number of Yukon's investment professionals serve as board members for the Funds' portfolio companies. In situations where Yukon votes the proxy for a company in which a member of Yukon serves on the board of directors, Yukon has determined that such voting and board service do not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on the Investors' investment and to ensure that the Funds' interests are protected. Nevertheless, prior to voting any proxies, Yukon will determine if there are any conflicts of interest related to the proxy in question. If a material conflict is identified, Yukon will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies and/or consulting with the Advisory Committee of the relevant Fund).

All proxies that Yukon receives will be treated in accordance with these policies and procedures. A copy of Yukon's written proxy voting policies and procedures, as well as a record of how Yukon has voted in the past, is available upon written request.



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

Yukon does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Yukon requires that management fees be paid quarterly in advance. See Item 5 above for management fee information. Yukon is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitment to the Yukon Funds (its clients), and has not been the subject of a bankruptcy proceeding.