

Avance Investment Management, LLC

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This “**Brochure**” provides information about the qualifications and business practices of Avance Investment Management, LLC (hereinafter “**Avance**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Rohan Jones, by email at **RJONES@AVANCEINV.COM**. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Avance has applied as an Investment Adviser with the SEC. Registration as an investment adviser does not imply that Avance or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Avance is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure reflects Avance's change in Chief Compliance Officer from Erik Scott to Rohan Jones as of August 30, 2021. Other than this one update, there are no other material changes to report. We will continue to identify and discuss all material changes in this section.

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Item 4: Advisory Business

Avance Investment Management, LLC (hereinafter “**Avance**”, “**we**”, “**us**”, “**our**”, “**Management Company**” or the “**Firm**”) is organized as a Delaware limited liability company with a principal place of business New York, New York. Avance is principally owned by David Perez, Luis Zaldivar, and Erik Scott, collectively the “**Principals**.”

We serve as the investment adviser, with discretionary investment authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and who also are qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor in any such pooled vehicles.

Avance currently manages the following private, pooled investment vehicles: Avance Investment Partners, L.P. (“**Main Fund**”), a Delaware limited partnership, and Avance Investment Partners AIV, L.P. (“**AIV**”), a Delaware limited partnership (each a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or “**Clients**”).

The Funds’ “**Limited Partners**” hereafter collectively referred to as the “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Funds are subject to the Funds’ investment objectives and guidelines, as set forth in their respective Private Placement Memorandum, Limited Partnership Agreements, and related subscription documents as may be amended from time to time (individually or collectively referred to as the “**Offering Documents**”).

The Firm manages AIV as an “**Alternative Investment Vehicle**” of the Main Fund. Alternative Investment Vehicles are managed in accordance with their respective governing documents. AIV’s investments are made into the same portfolio companies as the Main Fund. However, AIV does not make an investment in every company the Main Fund invests in.

The Firm does not currently have or plan to manage any “**Separately Managed Account**” Clients; however, to the extent the Firm decides to manage any Separately Managed Account Clients, the Firm will manage those Clients in accordance with the corresponding “**Investment Management Agreements**,” negotiated between the Firm and the respective Client.

We do not currently participate in any Wrap Fee Programs.

Currently, we manage \$823,778,797 in regulatory assets under management, all of which is managed on a discretionary basis. We do not currently manage assets on a non-discretionary basis.

Item 5: Fees and Compensation

The fees and expenses applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Management Fee

Avance and/or its affiliates (e.g., the General Partner) is to be paid an investment management fee ("**Management Fee**") of not more than 2.0% per annum of the committed or invested capital of the Main Fund, dependant on where the Main Fund is in its investment life cycle. The Firm and its affiliates may share the Management Fee with investors as determined by the General Partner in accordance with the Main Fund's Offering Documents and other governing documents, and has entered into such an arrangement with the Main Fund's anchor investor through an interest in Avance's revenues (including, among others, the Management Fee). The Investment Manager, in its sole discretion, may waive or modify the Management Fee for any Investor.

Management Fees charged with respect to each Limited Partner of the AIV are paid in accordance with the Main Fund's Partnership Agreement section 5.1 - Management Fee.

Other Types of Fees or Expenses

Avance and its affiliates (i.e., General Partner) may from time to time receive monitoring fees, consulting fees, closing fees, investment banking fees, director's fees, transaction fees, management contract termination fees, acceleration fees, financing fees, corporate services fees, commitment fees, professional services fees, advisory fees and certain other fees from portfolio companies or proposed portfolio companies and break-up fees. The Funds' obligation to pay the Management Fee could be reduced or offset by any such fees in respect of a portfolio company (with any excess to be carried forward) as set forth in the Funds' Offering Documents. The Funds' share of any of the fees described above shall be allocated among the Limited Partners in proportion to their relative sharing percentages in the portfolio company with respect to which such fees are attributable, and the amount so allocated to each Limited Partner credited against the Management Fees payable with respect to such Limited Partner.

From time to time, qualified industry executive advisors who are not employed by, nor are affiliates of the Firm, may receive transaction fees, equity in a portfolio company or other compensation in connection with making, managing or disposing of the Funds' investments or the provision of arms' length services. Any such fees, equity or other compensation so paid to any such industry executive advisors will be retained by such advisors and will not reduce the Management Fee. More information can be found in the Funds' governing documents.

The Management Company is required to pay all Management Expenses associated with conducting its activities. "Management Expenses" shall mean the costs and expenses incurred by the Management Company in providing for its normal operating overhead, including, but not limited to, compensation of its employees and the cost of providing relevant support and general services (e.g., office rental, secretarial, clerical and the Firm's bookkeeping expenses) but not including any Fund Expenses described below and in the Funds' governing documents, including the Limited Partnership Agreement. The Funds are responsible for all Organizational Expenses up to an aggregate cap in the Limited Partnership Agreement and all Partnership Expenses, expenses associated with the Advisory Board and other advisory councils or

investment committees (collectively, the **“Fund Expenses”**). The General Partner or the Firm will bear the cost (through an offset against the Management Fee or otherwise) of all Organizational Expenses in excess of the aforementioned cap, if any, and of any placement agent fees incurred in connection with the formation of the Funds.

“Organizational Expenses” shall mean expenses, (including without limitation, fund-raising, attendance at any fundraising conferences, travel (including without limitation, transportation, accommodation and meal expenses but provided that any amounts included for air travel shall not exceed the then applicable first-class commercial air travel rates)), printing, legal, communication, marketing, administrative, mailing, courier, legal, filing, capital raising, accounting, vetting of potential Limited Partners (prior to the Final Closing Date), preparing and distributing materials for “most-favored nations” elections and processing of requests for elections in connection with the same, and regulatory compliance fees and/or expenses (including U.S. state “blue-sky” filings, and the initial registrations, filing and compliance contemplated by the AIFMD) incurred (whether before, on or after the date hereof and whether incurred by the Funds, the General Partner, the Management Company or any of their respective Affiliates) in connection with the planning, formation, organization, documentation, funding and start-up of the Funds, the General Partner, the Management Company, any Parallel Fund and any Parallel Fund General Partner and in connection with the subscription by the Limited Partners for Limited Partner interests in the Funds (including, without limitation, preparation and negotiations with respect to the private placement memorandum, supplements thereto, investor presentations, marketing materials, due diligence questionnaires, the Limited Partnership Agreement, subscription documents, any side letter or similar agreements); but not including any Placement Fees.

“Partnership Expenses” shall mean with respect to the Funds, to the extent not reimbursed by a prospective or actual portfolio company or an Alternative Investment Vehicle or other vehicle, if any, all expenses of operation of the Funds, including, without limitation, (i) Management Fees; (ii) any taxes, fees, duties or other governmental charges or costs imposed on the Funds and any fees and expenses for the preparation and filing of any governmental or regulatory reports relating to the Funds or any investment or proposed investment; (iii) commitment fees and other fees and expenses (including expenses of the lender which are required to be paid and legal, accounting, administrative, audit and other expenses incurred in connection therewith) and principal and interest payable in connection with any indebtedness, credit facility or other credit arrangement or hedging activities of the Funds, any portfolio company, or any Alternative Investment Vehicle; (iv) accounting fees, third-party fees, research fees, fees of consultants, advisors, administrators and custodians, attorneys’ fees and any expenses related thereto; (v) due diligence fees and expenses, financing fees and expenses and all other costs and expenses related to the identification, evaluation, acquisition, holding, monitoring, valuation and disposition of securities (whether or not the transaction is consummated) (including out-of-pocket travel expenses (provided that any amounts included for air travel shall not exceed the then applicable first-class commercial air travel rates), broken deal fees (to the extent not otherwise reimbursed by third parties), legal expenses, accounting expenses, consulting expenses and any banking, appraisal, brokerage, investment banking, registration, qualification, finders’ and similar fees or commissions); (vi) all out-of-pocket fees and expenses incurred by the Funds, the General Partner or any other Avance Person in connection with any conference or meeting of the Limited Partners and any meeting of the Advisory Board (including, without limitation, expenses and fees relating to services, rental expenses, food, lodging, travel (provided that any amounts included for air travel shall not exceed the then applicable first-class commercial air travel rates), transportation, and guest speakers provided at or in connection with any such meetings (both

with respect to attendees generally and the personnel of any Avance Persons attending) as well as with respect to the preparation of materials for any such meeting); (vii) all premiums and fees, costs and expenses associated with D&O/GPL liability, crime coverage, errors and omissions, cybersecurity or other insurance coverage protecting the Funds and any covered persons; (viii) any rules, laws or regulations regarding registered investment advisers incurred by the Management Company and its respective Affiliates (as defined in each Fund's respective Agreement) (which such amounts will be allocated among the Funds, other pooled investment funds sponsored by Affiliates of the Management Company and pooled investment funds sponsored by Affiliates of the Management Company which are successors to the Funds pro rata based on assets under management at such time (it being understood that amounts will not be allocated to co-investment entities formed for the participation of Avance Persons or third parties in portfolio company investments)); (ix) the costs and expenses of any litigation, audit, examination, investigation, indemnification or governmental proceedings involving the Funds or any investment or proposed investment and the amount of any judgments, settlements, indemnification or other amounts paid in connection therewith; (x) any expenses associated with the Funds' reporting, financial statements, tax returns and K-1s, as well as fees, costs and expenses incurred in connection with any communications or inquiries with the Limited Partners (including with respect to reporting, capital calls and distributions), compliance with side letters or the amendment, waiver or supplement of any documentation relating to the Funds and the Partners; (xi) fees, costs and expenses incurred in connection with dissolving, liquidating, winding-up and terminating the Funds; (xii) any expenses associated with compliance with applicable laws, rules and regulations by the Funds or in respect of the Funds' investment activities; (xiii) any expense associated with the operation and actions of the Advisory Board, (including the expenses of legal counsel, accountants and other advisors who may be retained to assist the Advisory Board); (xiv) costs and expenses incurred in connection with any transfer or proposed transfer of an interest in the Funds, a Limited Partner's withdrawal or a Limited Partner's default (but only to the extent not paid by the Limited Partner, the transferee or the withdrawing Limited Partner); (xv) fees, expenses and governmental charges relating to the preparation and filing of any regulatory or governmental reports or filings required to be made by the Funds or relating to the Funds' investments, potential investments or other activities (including, without limitation, Form PF required to be filed under the Advisers Act, Section 16 filings, Schedule 13D filings, Schedule 13G filings and other forms, schedules, reports, filings, information and documents required to be filed under the United States Securities Exchange Act of 1934, as amended, any forms, schedules, reports, filings, information or other documents prepared with respect to FATCA, or filed with the United States Internal Revenue Service, Commodities Futures Trading Commission, Securities and Exchange Commission or other U.S. governmental authority, and any non-U.S. forms, schedules, reports, filings, information or other documents filed with or prepared to comply with any non-U.S. governmental authority or non-U.S. law, rule or regulation, including those related to or arising out of the AIFMD), as well as the costs and expenses incurred in connection with developing, licensing, implementing, maintaining or upgrading computer software and hardware or filing or reporting tools (including subscription-based services) related to each of the foregoing to the extent attributable to activities undertaken for the benefit of the Funds or the Partners; (xvi) all fees, costs and expenses related to complying with anti-money laundering, know-your-customer and similar laws, rules and regulations, including, without limitation, (A) fees, costs and expenses incurred in connection with vetting potential investors in the Funds prior to, concurrently with or following the offering of limited partner interests or any transfer of limited partner interests, (B) fees, costs and expenses incurred in connection with monitoring the Funds', the General Partner's, the Management Company's and any portfolio company's ongoing compliance with such laws, rules and regulations, and (C) the

external costs of any third party engaged to perform anti-money laundering and know-your-customer compliance and administration; (xvii) fees, compensation and expenses of third parties retained to provide management, consulting or other business services to or with respect to the Funds, its investments or potential investments and portfolio companies; (xviii) expenses incurred in connection with the establishment of any Alternative Investment Vehicle or other vehicle through which Portfolio Investments may be made; (xix) any activities with respect to protecting the confidential or non-public nature of any information or data, including Confidential Information (including any costs and expenses incurred in connection with EU Data Protection Law or FOIA); (xx) in the discretion of the General Partner, Excess Organizational Expenses (as defined in each Fund Agreement); and (xxi) all other fees, expenses and costs as may be described in the Funds' governing documents including the Limited Partnership Agreement.

Notwithstanding the foregoing, the Funds' General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Funds' General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

We and our affiliates are entitled to a performance-based compensation from all Clients and investors. The General Partner of the Funds is entitled to receive a portion of the profits of the Funds if certain thresholds for each Fund's performance are met. This is typically referred to as "carried interest," which is a type of performance-based compensation, which is defined and described in more detail in the Limited Partnership Agreement and Funds' governing documents. The carried interest is calculated as 20% of capital gains on a deal by deal basis, subject to return of capital and minimum return thresholds. All or a portion of carried interest may be waived or amended for a particular investor by the General Partner. The Firm and its affiliates may share carried interest with investors as determined by the General Partner in accordance with the Funds' Offering Documents and other governing documents, and the General Partner has entered into such an arrangement with the Funds' anchor investor through an interest in the General Partner's revenues (including, among others, the carried interest to be paid by the Funds to the General Partner).

The Firm may engage in co-investments or other arrangements which, on a case by case basis, may result in one or more investors having different terms than Avance's other clients regarding fees and carried interest.

From time to time, the Management Fees and carried interest are further modified, reduced, waived or rebated, both voluntarily and on a negotiated basis with selected investors via contractual side letter and other arrangements, which will typically not be disclosed to all

other investors in the same Fund. Management Fees (and carried interest) may also differ from one Fund to another, in any co-investment vehicle, as well as among investors in the same Fund. In certain cases, the rate of Management Fees (and carried interest) payable by certain investors will be lower than other investors if the size of their investment in the Fund is larger than such others, or if such investor subscribed to a Fund prior to a designated date or for other reasons in the discretion of the Firm.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement. However, Avance will always endeavor to make investment decisions in the best interest of its Clients, without regard for fee types and fee percentages.

Item 7: Types of Clients

Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, and other sophisticated investors who are both accredited investors and qualified purchasers, as discussed above, subject to the General Partner's (or Firm's) authority to waive any such requirements in its discretion.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Investment Objective and Strategy

The Funds seek to build a diversified portfolio of investments primarily within the Consumer and Services sectors. Within the Consumer and Services sectors, the Firm will focus on investing primarily in segments of consumer products and services, financial services, healthcare services and business services.

The Funds target investments in U.S. lower middle market companies primarily with \$5 million to \$25 million in EBITDA and transactions primarily in the range of \$50 million to \$250 million in total enterprise value.

Risk Management

Avance is actively monitoring the Funds' portfolio through regular weekly meetings and discussions, coupled with monthly financial reports and periodic portfolio reviews. The portfolio monitoring teams, which will generally consist of at least one of the Principals and other investment and portfolio support professionals, are responsible and accountable for monitoring and managing individual portfolio investments. Such teams will focus on reviewing monthly financial performance with portfolio company management, board meetings, annual budgets and forecasts, and in-depth working sessions with portfolio company management. Accordingly, portfolio monitoring teams are responsible for

reporting on individual portfolio company's financial and operating performance. The Firm plans to use several indicators for that review, including: (a) comparisons of financial reporting against both prior year and budget, (b) implementation progress strategic plans, (c) comparison to investment cases and compliance with covenants, and (d) critical company data many of which is tied to the Firm's value creation framework, which is circulated and openly communicated to the other members of the Firm.

Portfolio companies which encounter operational or financial difficulties are discussed more frequently and in more depth; this will provide Avance an opportunity to assist the deal teams with measures designed to improve the performance. As needed, the Firm will call on members of its network of outside advisors and industry specialists to assist in these efforts. Avance believes the Firm's value creation and business transformation framework helps serve as a method to identify, frame and correct issues.

Avance believes that these methods will create transparency, foster communication and assist the Funds in tracking a portfolio company's progress and quickly identify and address any potential new risks and opportunities.

Risk of Loss Factors

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Funds' governing documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Funds' governing documents and the documents referred to herein before deciding to invest with Avance.

New Venture

The Funds, the General Partner and the Management Company are newly formed entities and therefore will not have any financial or operating history. The Funds' future prospects must be weighed against the risks and difficulties frequently encountered by companies in the early stages of a business enterprise. The Funds cannot provide any assurances that it will be successful in addressing these risks or achieving its objectives.

Ongoing Turmoil in the U.S. and Global Financial Markets

General fluctuations in the financial markets, market prices of securities and/or interest rates may adversely affect the value of the Funds' investments and/or increase the risks inherent in the Funds' investments. The ability of companies, businesses, projects or assets in which the Funds hold investments to refinance debt securities may depend on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets, which in recent months have been extraordinarily difficult to access at favorable rates. The precarious state of global credit and equity markets, coupled with the uncertainty for financial

services companies and in the global financial system generally, may make it significantly more difficult than it had been in the recent past for financial sponsors to obtain favorable financing terms for its investments. Any deterioration of the global debt markets, any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. The Funds' ability to generate attractive investment returns may be adversely affected to the extent a Fund is unable to obtain favorable financing terms for its investments.

No Assurance of Investment Return

The Funds' investment portfolio will consist primarily of investments in privately held entities, and results in a specified period will be difficult to predict. While private equity investments offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. There is no assurance that the Funds will be able to invest its capital with attractive terms or generate returns for its investors. The past investment performance of the Principals and other members of the investment team (collectively, the "**Investment Team**") and their respective prior entities and investment vehicles is not necessarily indicative of the Funds' future results. While the General Partner intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any rate of return will be achieved.

Past Results are not Indicative of Future Results

There can be no assurance that the Funds will achieve similar results to any of the results achieved by the Principals in the past, whether on an aggregated portfolio basis or an individual investment-by-investment basis. Although the Principals may have achieved favorable returns with some of their previous investments, the performance of past investments (whether or not of the type and scope of the Funds') cannot be relied upon to predict the Funds' success. There can be no assurance that the Funds will achieve their investment objectives. The Funds' lack of an operating history and identified investments increase the risk and uncertainty an Investor faces in making an investment in the Funds not be assured that historic performance of the Principals will be repeated with the Funds.

No Assurance of Projected Results

The General Partner will generally determine the appropriate capital structure for each entity in which the Funds invest based upon financial projections for that company. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projection. General economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections.

No Underwriter

There is no underwriter for this offering. Therefore, investors will not benefit from an underwriter's due diligence efforts, which typically would include involvement in the

preparation of disclosures, pricing of the Interests and other due diligence investigations. As the Funds has never engaged in the sale of its Interests, it has no experience in the underwriting of any such offering. Accordingly, there is no prior experience from which prospective investors may judge the Funds' ability to consummate the offering described in the Funds' private placement memorandum.

Dilution

Investors admitted to the Funds at subsequent closings will participate in the then existing investments of the Funds, thereby diluting the interest of existing Limited Partners in such investments. Although any such new investors will be required to contribute their pro rata share of previously-made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Funds' existing investments at the time of such contributions.

Portfolio Company Risk, Suitable Investment Risk

The Funds will invest in a limited number of portfolio companies. Hence, the aggregate return of the Funds may be affected by the performance of a few holdings. To the extent that less capital is raised than targeted, the Funds may make fewer investments and thus be less diversified. The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. The General Partner has not yet identified any particular investments. The General Partner anticipates encountering competition in connection with its selection of investments from other investors, some of which may have greater financial and other resources. The Main Fund was the first investment fund managed by Avance and there can be no assurance that the investments made by the Main Fund will generate the targeted rate of return on invested capital. Regardless of the timing of the Main Fund's investments and whether or not the Main Fund is ever fully invested, for the duration of the Commitment Period, the Limited Partners are required to pay the Management Fee based upon the entire amount of their Commitments.

In addition, there can be no assurance that the General Partner and/or Management Company will be able to identify a sufficient number of attractive opportunities to meet the investment objectives of the Funds or deploy any amount of the Commitments, or that the Funds will be able to negotiate favorable terms with respect to the acquisition (or disposition) of any target portfolio companies.

Risk of Private Company Investments

The Funds' investment portfolio will consist primarily of investments in privately held entities, and results in a specified period will be difficult to predict. While private company investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early or middle-stage of development, companies operating at a loss or with substantial variations in operating results from period to period and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from entities with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully.

Lower Middle Market Companies

The Funds will typically make controlling investments in lower middle market companies. While investments in lower middle market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in large companies. Lower middle market companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group and/or personnel with limited experience. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in medium-sized companies, could make it difficult for the Funds to react quickly to negative economic or political developments. Further, the foregoing factors also increase the difficulty of valuing such investments.

No Guaranteed Distribution

The date that distributions to the Limited Partners will actually commence, or their subsequent timing or amount, cannot be accurately predicted. There is no guarantee that any such distribution will, in fact, be made or, whether they will be made when anticipated. Delays in making distributions could result from the inability of the Funds to make profitable investments or liquidate such investments at a gain once made. In addition, the terms of any Fund borrowings may also limit the Funds' ability to make distributions to Limited Partners.

Income from the Funds will be taxable to the Limited Partners whether or not any amounts are actually distributed to them. There can be no assurance that distributions will be regularly made or that such distributions, if made, will exceed the amount of a Limited Partner's investment or the amount of taxes payable by a Limited Partner with respect to its investment in the Funds.

Illiquidity of Investments; Long Term Investment

An investment in the 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. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there often will be no current return on the investments. Furthermore, the expenses of operating the Funds (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Funds' capital. The Funds are not intended to be a short-term investment. Even if the investment strategy of the Funds proves successful, it is unlikely to produce a realized return for the Limited Partners for a number of years.

Restricted Nature of Investment Positions

Generally, there will be no readily available market for the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Disposition of such investments may require a lengthy time period or may result in distributions in-kind to Limited Partners.

Restrictions on Transfer and Withdrawal

The Interests have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. Additionally, the Interests are not transferable except with the consent of the General Partner, which generally may be withheld by the General Partner at its sole discretion, and are subject to the terms and conditions of the Funds' Agreements. Investors generally may not withdraw from the Funds and the Interests are not redeemable. Consequently, investors may not be able to liquidate their investments prior to the end of the Funds' term. **INVESTORS WHO DO NOT WISH TO REMAIN AS LIMITED PARTNERS FOR THE ENTIRE DURATION OF THE FUNDS ARE ADVISED AGAINST INVESTMENT.**

Commitments

There is no minimum aggregate Commitments required to hold the initial closing and, thereafter, there is no assurance that the Funds will have a subsequent closing; to the extent it holds subsequent closings, there is no assurance that the Funds will be able to raise the targeted amount of Commitments. The Funds may not be able to raise sufficient additional Commitments to effectively execute on its portfolio strategy. If the Funds are not able to raise its targeted amount of Commitments, the Funds may make fewer investments and thus be less diversified. In addition, subject to the diversification restrictions described herein, to the extent the Funds makes fewer investments, the likelihood of their profitability being affected by the performance of any one of its investments will increase, and an investment in the Interests will be subject to greater risk. Furthermore, to the extent the Funds are not able to raise its targeted amount of Commitments, their expenses may increase in proportion to its assets, which may result in diminished returns with respect to the Interests.

Limited Partner Due Diligence Information

Due to the fact that different potential investors may ask different questions and request different information, the General Partner may provide certain information, including in diligence letters and other written materials, to one or more prospective investors than it provides to all of the prospective investors. None of the such responses or additional information provided is or will be integrated into the Funds' private placement memorandum, and no prospective investor may rely on any such responses or information in making its decision to subscribe for an Interest.

Expenses Borne by the Fund

The Funds will pay all fees, costs and expenses relating to the Funds' activities, investments and business (to the extent not borne or reimbursed by a portfolio company), including, without limitation, expenses in connection with identifying investment opportunities and investigating other potential investments which are ultimately not consummated (including due diligence and legal expenses and the fees of other advisors). The amount of Fund expenses will be substantial and will reduce the actual returns realized by Limited Partners on their investments in the Funds (and will reduce the amount of capital available to be invested). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of Fund expenses ultimately called, or called at any one time, may exceed amounts expected or budgeted by the General Partner and/or the Limited Partners. Except with respect to any limit on organizational expenses, there is no contractual limit on expenses, and the amount of Fund expenses (including, without limitation, expenses incurred outside the ordinary course such as litigation and similar expenses) that will be borne by Limited Partners, which could materially reduce the return on a Limited Partner's investment in the Funds.

Leverage

The Funds may make use of leverage by incurring debt directly. Portfolio companies may also incur debt to finance growth. Leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The use of leverage will also result in interest expenses and other costs to the Funds or a portfolio company that may not be covered by distributions made to the Funds or by appreciation of the investments in a portfolio company. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' 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 the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

The amount of such borrowings or other leverage will be in the General Partner's sole discretion. The use of leverage involves a high degree of financial risk. The extent to which the Funds or a portfolio company uses leverage may have important consequences to investors, including, but not limited to, the following:

(i) greater fluctuations in net assets, (ii) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions, or other purposes, (iii) to the extent that revenues are required to meet principal payments, investors may be allocated income (and therefore incur tax liability) in excess of cash available for distribution, (iv) in certain circumstances it may be necessary to prematurely harvest investments to service its debt obligations, (v) limitations on flexibility to make distributions to investors or sell assets that are pledged to secure the indebtedness and (vi) increased interest expense if interest rate levels were to increase significantly. There can also be no assurance that the Funds or a portfolio company will have sufficient cash flow to meet their debt service obligations. As a result, the Funds' exposure to losses may be increased due to the illiquidity of its investments generally.

The failure by the Funds or a portfolio company to obtain indebtedness on favorable terms (or at all) could adversely affect the returns of the Funds. In addition, the securities in which the Funds will invest may be among the most junior in any portfolio company's capital structure and thus subject to the greatest risk of loss.

Credit Support

The Funds may be required to make contingent funding commitments or guarantees to its portfolio companies or other vehicles or entities in or alongside which the Funds invest and to provide other credit support arrangements in connection therewith. Such credit support may take the form of a guarantee, a letter of credit or other forms of promise to provide funding. Such credit support may result in fees, expenses and interest costs to the Funds, which could adversely impact the results of the Funds, subject to any limitations set forth in the Main Fund Agreement. Each Partner shall, upon written request from the General Partner, for the benefit of any lender, acknowledge its obligations to make capital contributions pursuant to the Fund documents as required to acknowledge and perfect the security interest in its unfunded Commitment as provided in the Main Fund Agreement.

Credit Facilities

The Funds may use credit facilities for the purchase or implementation of certain investments or for other portfolio management purposes. Should such credit facilities be utilized, the Funds would incur additional interest and other expenses with respect to such facilities. Any such credit facility provider that permits the Funds to borrow may accept Funds assets as collateral for such credit facility and may be permitted to require the sale or liquidation of such Fund assets held by it as collateral, after default by the Funds pursuant to the agreement with such credit facility provider. Events of default under any such credit facility may include, among other things, failure to pay amounts due under such credit facility, failure to inform the credit facility provider of certain events with respect to the Funds, failure to provide the credit facility provider with certain periodic reports and financial statements, breach by the Funds of other representations and covenants contained in credit facility documentation and other similar terms. In such instances, the credit facility provider may take any action permitted pursuant to such credit facility documentation without notice to the Funds or the General Partner. If any such credit facility provider were to require the Funds to sell or liquidate assets or otherwise act to realize on such collateral, these actions may impair the operational capabilities of the Funds and have adverse tax and economic effects on the Funds. The Fund may from time to time utilize fund-level guaranteed capital call loans to fund new investments prior to calling capital from limited partners. The calculation of the Funds' performance parameters may be impacted by the use of such credit facilities.

Certain Significant Investors

One or more significant investors may comprise a substantial amount of the Commitments and, as a result, may control or have significant influence over any vote or decision of the Limited Partners. Such significant investors will likely act or vote entirely in their own interests, which may not be aligned with the best interest of the Funds as a whole or with the best interests of the Limited Partners in the aggregate. If a significant investor defaults on its obligations to make its capital contributions, it could have adverse consequences for the Funds and the other Limited Partners.

Required Withdrawal of a Limited Partner

As further described in the Main Fund Agreement, the General Partner may require the withdrawal of a Limited Partner. Such required withdrawal may create adverse tax and/or economic consequences to the Limited Partner depending on the timing thereof.

Excuse and Exclusion from Investments

Under certain limited circumstances as set forth in the Main Fund Agreement, a Limited Partner may be excused from participating in an investment (including, without limitation, to avoid violations of law and violations of a Limited Partner's written policies disclosed to and accepted by the General Partner prior to making a Commitment to the Funds) or the General Partner may exclude or limit the participation of a Limited Partner in an investment. In any such circumstance, each other Limited Partner may be required to make additional capital contributions to the Funds in respect of such investment, thereby resulting in such other Limited Partner having an increased investment exposure in such portfolio company than such Limited Partner would otherwise have had but for such excuse or exclusion event.

Reliance on the General Partner, the Management Company and the Portfolio Company Management

Control over the operation of the Funds will be vested entirely with the General Partner and the Management Company, and the Funds' future profitability will depend largely upon the

business and investment acumen of the Investment Team. The loss of service of any of the Principals could have an adverse impact on the Funds' ability to realize their investment objectives. Limited Partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend entirely on the actions of the General Partner and the Management Company. Although the General Partner and the Management Company will actively monitor the performance of each Fund's investment, and members of the Investment Team will control the board of most of the Funds' portfolio companies, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis.

Absence of Recourse, Exculpation and Indemnification

The Main Fund Agreement limits the circumstances under which the General Partner and its affiliates will be held liable to the Funds. As a result, Limited Partners may have a more limited right of action in certain cases than they would have in the absence of such provision. Additionally, the Funds will be required to indemnify the General Partner, the Management Company and their respective partners, principals, members, managers, employees and affiliates for liabilities incurred in connection with the affairs of the Funds. Members of the Advisory Board will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Main Fund Agreement. Such liabilities may be material and have an adverse effect on the returns to the Investors. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unpaid Commitments of the Investors. Additionally, if the assets of the Funds are insufficient, the General Partner may recall distributions previously made to the Limited Partners, subject to certain limitations set forth in each Fund Agreement.

Service on Boards of Directors or as Officers

One or more of the Principals or other members of the Investment Team may serve as directors or officers of certain of the Funds' portfolio companies. Such service could expose the Funds and the General Partner and its partners and affiliates to claims by a portfolio company, its security holders and its creditors as well as various potential governmental or regulatory claims. While the General Partner intends to manage the Funds in a manner that will minimize exposure to these risks, the possibility of successful claims cannot be eliminated and such events, if they occur, could lead to potential liability for the Funds and therefore could have an adverse effect on the Funds. Not all portfolio companies may obtain insurance with respect to potential director or officer liabilities, and the insurance that portfolio companies do obtain may be insufficient to adequately protect directors or officers from such liabilities.

Risks in Effecting Operating Improvements

The Funds' investment strategy will depend, in part, on the ability of the Funds to restructure and effect improvements in the operations of a portfolio company. Furthermore, in the event the Funds make any non-controlling investments, the Funds may not have the authority to implement all of its preferred improvements. The activity of identifying and implementing restructuring programs and improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

Reserves

The General Partner will establish reserves for investments and follow-on investments, actual or anticipated Fund expenses (including Management Fees), and any other liabilities

and obligations. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the capital needs of portfolio companies. Inadequate or excessive reserves could have a material adverse effect on the investment returns of the Funds. If reserves are inadequate, the Funds may be unable to take advantage of attractive follow-on or other investment opportunities or to protect their existing investments from dilutive or other punitive terms or similar provisions. If reserves are excessive, the Funds may not be able to acquire one or more investment opportunities.

Removal of the General Partner; Cancellation of Commitment Period; Early Termination of the Funds

If, pursuant to and in accordance with the terms of each Fund Agreement, the General Partner of the Fund is removed by the Limited Partners and a replacement general partner is appointed, Avance will cease to be involved in the management or control of the business of that Fund. Therefore, there can be no certainty regarding the Funds' ability to consummate or exit investment opportunities thereafter. Similar risks exist if the Commitment Period is cancelled earlier than anticipated pursuant to the terms of the specific Fund Agreement. Moreover, it is possible that the Funds may be dissolved and terminated prematurely and, as a result, may not be able to accomplish its objectives and may be required to dispose of its investments at a disadvantageous time or make an in-kind distribution (resulting in Limited Partners not having their capital invested and/or deployed in the manner originally contemplated).

Misconduct of Investment Professionals, Employees and Third-Party Service Providers

Misconduct or misrepresentations by investment professionals and other employees of Avance or by third- party service providers could cause significant losses to the Funds. Despite the General Partner's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due diligence performed by the General Partner will identify or prevent any such misconduct.

No Protection Under the Investment Company Act

The Funds have not registered and does not intend to register as an investment company under the U.S. Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "**Investment Company Act**"). Among other things, the Investment Company Act generally requires investment companies to have a minimum of 40% independent directors, regulates the relationship between the investment adviser and the investment company and provides other substantive limitations on an investment company's portfolio. Such protections, and others afforded by the Investment Company Act, will not be applicable to the Funds and the Limited Partners.

If the Funds were required to register as an investment company but failed to do so, the Funds would be prohibited from engaging in its business, and criminal and civil actions could be brought against the Funds. In addition, the Funds' contracts would be unenforceable unless a court required enforcement and a court could appoint a receiver to take control of the Funds and liquidate its business.

Pension Liability Risks

In a prior case decided by the United States Court of Appeals for the First Circuit, the Court determined that a private equity fund could be jointly and severally liable for pension and

other employment related liabilities incurred by its portfolio companies. As a result, if the Funds and its portfolio companies are treated as part of the same controlled group, the Funds could be jointly and severally liable for its portfolio companies' obligations incurred in maintaining, contributing to, or participating in, employee Benefit Plan arrangements, including, but not limited to, the portfolio company's payment obligations for failing to meet pension plan funding requirements, termination of underfunded pension plans or withdrawal liability that could arise if the portfolio company withdraws from multiemployer pension plans. Furthermore, it is possible, that a court could aggregate other funds managed by the Management Company or its affiliates future with the Funds in determining whether a portfolio company is part of a controlled group with the Funds.

Recourse to the Funds' Assets

The Funds' assets, including any investments made by the Funds and any funds held by the Funds, are available to satisfy all liabilities and other obligations of the Funds. If the Funds becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

Impact of State and Federal Securities Laws

This offering has not been registered under the Securities Act in reliance upon Rule 506 of Regulation D promulgated by the SEC under §4(a)(2) of the Securities Act; and reliance will also be made on available exemptions from securities registration under the "blue sky" laws of states in which the Interests are offered and sold. There is no assurance that the offering presently qualifies or will continue to qualify under exemptive provisions. If suits for rescission are brought under the Securities Act and/or other applicable laws and successfully concluded for failure to register this offering (or other of the Funds' offerings, including concurrent offerings of Parallel Funds or the like), or for acts or omissions constituting offenses under the Securities Act, the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act") or applicable state securities laws, both the capital and assets of the Funds and the Funds could be adversely affected, thus jeopardizing the ability of the Funds to operate successfully. Further, the time and capital of the Funds' personnel, including the Principals, needed to defend an action by investigators of the SEC or state securities agencies of a particular state, even where the Funds are ultimately exonerated, could jeopardize the ability of the Funds to operate successfully. See "*No Protection Under the Investment Company Act*" and "*U.S. Investment Advisers Act of 1940*" above.

Risks upon Disposition of Investments

The success of the Funds' exit strategy will depend upon favorable market conditions at the time of the desired exit. There can be no guarantee that such conditions will exist during the term of the Funds. In connection with the disposition of an investment, the Funds may be required to make representations about the investment typical of those made in connection with the sale of any investment. The Funds may also be required to compensate the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Funds or their Limited Partners.

Valuation of Assets

There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature,

facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold.

Risk of Bridge Financing

If the Funds make an investment with the intent of subsequently financing a portion of that investment, there is a risk that the Funds will be unable to successfully complete such a financing. This could lead to d having a larger amount of capital invested in an investment than anticipated as well as reduced diversification.

Need for Follow-On Investments

Following its initial investment in a given portfolio company, the Funds may decide to provide additional capital to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient assets to make all or any of such investments. Any follow-on investment may impact the Fund's diversification. Any decision by the Funds 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 or may result in a lost opportunity for the Funds to increase their participation in a successful operation.

Non-Controlling Investments; Investments with Third Parties

The Funds may hold non-controlling interests in some of its investments and, therefore, may have a limited ability to protect its position in such investments, although as a condition of investment, the General Partner expects that appropriate rights generally will be sought to protect the Funds' interests. Some of the Funds' investments may be made as a co-investor with an unrelated third party. Such non-control investments or investments with co-investors may involve risks in connection with such material third-party involvement, including the possibility that a third-party partner may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. Action taken by such persons might subject the investment to liabilities in excess of, or other than, those contemplated. In addition, the Funds may rely upon the abilities and management expertise of the third-party partner. It may also be more difficult for the Funds to sell its interest in non- control investments or co-investments with other material third-party owners than to sell its interest in other types of control investments. In addition, the Funds may grant third-party partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment return or value, or require the Funds to use its assets to purchase the interest of the third-party partner under agreements providing for the forced sale of such interest. Additionally, the Funds may in certain circumstances be liable for the actions of its third-party partners.

Investments in Troubled Assets

The Funds may make investments in non-performing, undercapitalized or other troubled assets, which may involve a high degree of financial risk. For instance, under certain circumstances, lenders who have inappropriately exercised control of the management and

policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to their partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Public Company Holdings

The Funds' investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder action against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Litigation Risks

The Funds and its portfolio companies may be subject to a variety of litigation risks, particularly in consequence of the likelihood that one or more portfolio companies will face financial or other difficulties during the term of the Funds' investment. For example, it is anticipated that representatives of the Funds will actively assist portfolio companies in differing capacities (including, without limitation, by serving as officers, directors and advisors). The Funds may also participate in portfolio company financings at implicit portfolio company valuations lower than the valuations implicit in preceding rounds of financing. In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of the Funds, the General Partner or the Management Company), it is possible that the Funds, the General Partner, the Management Company or their respective representatives may be named as defendants. Under most circumstances, the Funds will indemnify the General Partner, the Management Company and their respective affiliates and employees for any costs they may incur in connection with such disputes.

Non-U.S. Investments

Although the Funds will be targeting investments within the U.S., the Funds may invest in portfolio companies located outside of the United States. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex United States and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the Limited Partners with respect to Fund income, and possible non-U.S. tax return filing requirements for the Funds and/or the Limited Partners.

Certain of the Funds' investments may be made in currencies other than U.S. dollars. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the U.S. dollar. The General Partner may (but is not obligated to) endeavor to manage currency exposures, using appropriate hedging techniques where available and appropriate. The Funds may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis.

Additional risks include: (i) risks of economic dislocations in the host country, (ii) less publicly available information, (iii) less well-developed regulatory institutions and (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to United States' companies.

Use of Alternative Investment Vehicles

To the extent necessary to address legal, tax or regulatory considerations, the General Partner or its affiliates has the authority to structure, and to cause Limited Partners to participate in, particular investments through Alternative Investment Vehicles other than the Funds. While the economic and other substantive provisions governing any Alternative Investment Vehicle are intended to be the same as those of the Funds, the rights of the Limited Partners as investors in, and the obligations and duties of the General Partner, Management Company or their respective affiliates as general partner or manager of, the Alternative Investment Vehicle may differ from those applicable to the Funds by virtue of the specific terms, jurisdiction of, or establishment of the Alternative Investment Vehicle. In addition, the structural attributes of certain Alternative Investment Vehicles may result in divergent return characteristics for certain Limited Partners.

Significant Adverse Consequences for Default; Risk of Default by Other Investors

The Fund Agreements provide for significant adverse consequences in the event a Limited Partner defaults on its Commitment or other payment obligations. If a Limited Partner fails to pay any portion of its Commitment to the Funds when required, such Limited Partner's Interest may be reduced or sold at a price below cost or fair market value and the Limited Partner may be precluded from further investment in the Funds. Additionally, the General Partner may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting Limited Partner. The General Partner will be granted additional powers to deal with defaulting Limited Partners in the Fund Agreements. Also, such Limited Partner may be required to indemnify the Funds and the other investors against the consequences of the Limited Partner's default.

Additionally, if a Limited Partner defaults on its obligation to make required capital contributions, it may be difficult for the Funds to make up the shortfall from other sources. Limited Partners may be required to make additional contributions to replace such shortfall, but in no event shall any such additional capital contributions by a Limited Partner exceed, in the aggregate, that Limited Partner's Commitment to the Funds. Any default by one or more Limited Partners could have a deleterious effect on the Funds, the assets and the interests of the other Limited Partners. For example, a default could impair the Fund's ability to conclude a transaction, fund a value-enhancement program or meet a financial or other contractual obligation and may, in some circumstances, result in the Funds incurring damages to third-parties.

Investors in Parallel Funds

Under the terms of the Fund Agreements, the General Partner will be authorized to create one or more funds that invest in parallel with the Funds. Investors in such funds are cautioned that the limited partnership or other similar governing document of such parallel funds may contain terms and conditions that deviate significantly from those described in the Funds' private placement memorandum or in the Main Fund's Limited Partnership Agreement.

Side Agreements Not Available to All Investors

In accordance with common industry practice, the General Partner may enter into one or more “side letters” or similar agreements with certain Limited Partners pursuant to which the General Partner grants to such Limited Partners specific rights, benefits or privileges that are not made available to Limited Partners generally, including, without limitation, the designation of a Limited Partner as an Affiliated Partner, rights or altered or supplemental provisions in respect of co-investments, exclusion from investments, timing of capital contributions, transfer of interests, tax and structuring matters, reporting and information rights, confidentiality provisions, notice requirements, and other representations, warranties or due diligence confirmations, or economic terms contained in the Fund Agreements. Such agreements will be disclosed only to those actual or potential Limited Partners that specifically have the right to review such agreements. Except to the extent permitted by the Main Fund’s Limited Partnership Agreement, the General Partner will have no authority to enter into side letters or similar agreements that are materially detrimental to the Funds.

Item 9: Disciplinary Information

To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither Avance nor its management persons has, holds, or has an application pending, or has any relationship material to the Firm’s advisory business, required to be disclosed under this Item.

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

Code of Ethics

Avance has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees may maintain personal brokerage accounts for the purpose of trading “**Reportable Securities**” (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives). Employees may trade in ETFs freely and all other Reportable Securities freely, with certain securities subject to pre-clearance by the CCO. Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s Restricted List.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

Item 12: Brokerage Practices

Avance is authorized to determine the service providers, including broker-dealers, to be utilized in executing transactions for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Funds’ investment guidelines.

Best Execution

In selecting an appropriate service providers to effect a Client transaction, we seek to obtain “**Best Execution**,” meaning generally the execution of a transaction for a Client in such a manner that a Client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a deal, as well as a service provider’s full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, and research services provided to us (for example, research ideas, analysis, and investment strategies), industry experience and expertise, special execution, and custodial services.

Item 13: Review of Accounts

Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds’ Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management, and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each Client’s portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for Client referrals.

Item 15: Custody

We are deemed to have custody of the Funds and each Fund's securities because the Adviser's affiliate, the Funds' General Partner, has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Avance.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Funds' annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Funds' audited financials to Investors within 120 days of each Funds' fiscal year end.

Item 16: Investment Discretion

We have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which transactions to participate in, as well as the price of those assets.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Clients' best interests and is in line with the Clients' investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and

- industry and business practices.

Generally, Clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Due to our investment strategy, these actions are expected to be limited in nature.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.