

# LAP Latin American Partners LLC

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This brochure provides information about the qualifications and business practices of LAP Latin American Partners LLC and its affiliates (collectively “LAP” or “Adviser”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at 202-530-3180 or email [leey@lapfunds.com](mailto:leey@lapfunds.com).

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

LAP is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”), as amended. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Since LAP's last annual filing on March 24, 2021, LAP moved to a new office located on the cover page of this Brochure.

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## Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance Based Fees and Side-by-Side Management .....	7
Item 7: Types of Clients.....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9: Disciplinary Information.....	21
Item 10: Other Financial Industry Activities and Affiliations .....	22
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	23
Item 12: Brokerage Practices.....	24
Item 13: Review of Accounts .....	25
Item 14: Client Referrals and Other Compensation .....	26
Item 15: Custody .....	27
Item 16: Investment Discretion .....	28
Item 17: Voting Client Securities .....	29
Item 18: Financial Information .....	30

## Item 4: Advisory Business

LAP is a private equity firm organized as a limited liability company under the laws of the State of Delaware. Mr. Teseo Bergoglio and Mr. James Martin founded LAP in 2009 and are its only shareholders. The investment activities of LAP are led by both Mr. Bergoglio and Mr. Martin (collectively the “Partners”), and a number of other investment professionals work with LAP to execute its investment strategy.

LAP serves as an investment manager and provides discretionary advisory services to private investment partnerships (each a “Fund” or collectively the “Funds”). Typically, within each Fund structure there is a designated general partner (the “General Partner(s)”) and fund manager (the “Fund Manager(s)”).

The Funds are organized to invest in companies with primary business activities located in Latin America and the Caribbean (the “Region”), and shall only make mezzanine and equity investments.

As of December 31, 2021, the Adviser managed approximately \$279 million in assets on a discretionary basis on behalf of the Funds.

In providing services to the Funds, LAP formulates each Fund’s investment objectives, directs and manages the investment of each Fund’s assets, their divestment, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the limited partners (the “Limited Partners”) or lenders to the Funds (jointly the “Investors”). LAP manages the assets of the Funds in accordance with the terms of each Fund’s confidential limited partnership agreements, loan agreements and other governing documents applicable to each Fund (the “Fund Governing Documents”). All terms are generally established at the time of the formation of a Fund, and, unless amended by Investors, remain in effect until the applicable Fund is dissolved, wound up, and terminated. The Investors may not restrict any investments that comply with the investment guidelines, and except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to the Fund’s dissolution.

Limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to Investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

## Item 5: Fees and Compensation

### General

LAP provides investment advisory services to each of the Funds pursuant to separate management agreements (the “Agreements”). The Agreements for each Fund, along with specific organizational documents of the Fund, set forth in detail the fee structure relevant to each Fund. The terms of the Agreements are generally established at the time of the formation of the applicable Fund. LAP typically receives compensation from management fees, carried interest allocations and certain other fees or expenses related to transactions, as per the Fund Governing Documents.

### Management Fee

The Funds pay LAP an annual management fee (the “Management Fee”). The Management Fee is paid every four months in advance. The precise amount and the calculation of the Management Fees for each Fund are disclosed in the relevant Fund Governing Documents. LAP and its affiliates reserve the right to waive or reduce Management Fees for certain investors, including employees, as may be determined in LAP’s sole discretion. Employees are jointly defined as all officers, directors, principals, and employees and any Supervised Person (which includes any partner, or other person occupying a similar status or performing similar functions, or other person who provides investment advice on behalf of LAP and is subject to LAP’s supervision and control, which includes Senior Advisors that are hired on a long term basis) (jointly the “Employees”).

### Carried Interest Allocations

A portion of each Fund’s net investment profit may be allocated to the capital account of its General Partner as “carried interest.” The manner of calculation of such carried interest is disclosed in the Fund Governing Documents and may vary by Fund. As is the case with Management Fees, LAP and its affiliates reserve the right to waive or reduce carried interest for certain Investors, including Employees, and others as may be determined in LAP’s sole discretion.

### Other Fees Earned by LAP

LAP may receive (1) transaction, consulting, advisory and other similar fees associated with investments or proposed investments or commitments made by each Fund, (2) fees in connection with transactions that are not completed (i.e., broken deal expenses), and (3) directors’ fees (which may include options and warrants) and/or monitoring fees from portfolio companies. These fees are applied to reduce the Management Fee in accordance with the Fund Governing Documents.

### Other Expenses Charged to the Funds

In addition to Management Fees and carried interest, the Funds’ Investors will bear indirectly (to the extent not reimbursed by a portfolio company) the fees and expenses charged to the Funds. Those fees and expenses will vary by Fund in accordance with their respective Fund Governing Documents, but typically will include, among other things: fees associated with the acquisition, holding and disposition of investments, broken deal expenses (up to a certain limit), financing, legal, auditing, consulting, and accounting fees and expenses, interest on fees and expenses arising out of all borrowings made by the Funds, and taxes and other governmental charges levied against a Fund.

In lieu of using a third-party administrator, LAP provides fund administrative services to the Funds. In accordance with the Funds’ documents and approval from investors, LAP’s internal expenses related to fund administration are deemed Fund Expenses and are charged to the Funds as an administration fee (the “Administration Fee”). The Administration Fee is calculated based the cost to procure standard back office support services for the Funds, which shall be calculated based each

Fund's allocated time percentage of the Accounting Department, including salary, any variable compensation, employee benefits and other necessary overhead cost, such as use of the Company executive assistant and office space and supplies. Through the Administration Fee, the Funds (and their Investors) are effectively lowering expenses that otherwise would have been borne by LAP.

Investors should review all fees and expenses charged by LAP, its affiliates, and others to fully understand the total amount of fees and expenses to be paid by the Funds and, indirectly, their Investors.

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

As described above, LAP or its affiliates receive performance-based compensation in the form of “carried interest”, which calculation is based on the profits generated by the Funds’ assets, including on their sale or disposition of Fund assets. The precise amount of, and the manner of calculation of, the carried interest for each Fund is disclosed in each Fund’s respective Fund Governing Documents.

The fact that a significant portion of the Adviser’s compensation (and its affiliates) is directly computed on the basis of profits generated by the sale or disposition of Fund assets may create an incentive for LAP to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

## Item 7: Types of Clients

LAP provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the Investors. Accordingly, the Funds are LAP's clients. However, Investors in the Funds may include, but are not limited to, development finance institutions/international organizations, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an Investor is outlined in the Fund Governing Documents; however, LAP maintains discretion to accept less than the minimum investment threshold. Investors are required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act, as well as a "qualified purchaser" within the meaning set forth in Section 2(a)(51) of the Investment Company Act of 1940 ("IC Act") for a private fund operating under the Section 3(c)(7) of the IC Act exemption from the definition of an investment company. Also, Investors are required to make certain representations when investing in a Fund in accordance with the Fund Governing Documents. Details concerning applicable Investor suitability criteria are set forth in the respective Fund Governing Documents and subscription materials, which are furnished to each Investor.

The Funds may enter into separate agreements, commonly referred to as "side letters," or other similar agreements with a particular Investor in connection with its admission to one of LAP's private investment funds without the approval of any other Investor, which would have the effect of establishing rights under or supplementing/changing certain of the terms of the applicable Fund Governing Documents with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors.

The Funds may have an Advisory Board or an Advisory Committee (collectively "Advisory Boards"). Advisory Boards are comprised of certain Investors in the Funds that serve an advisory function only on behalf of their respective Fund. The Advisory Boards generally convene once or twice a year and their roles are set forth in the Fund Governing Documents.



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

Each Fund's investment objective is to achieve long-term capital appreciation primarily through middle-market investments in companies in which the Funds may have influence on the strategic direction of the business. Typically, LAP will target investments ranging in size from \$10 to \$30 million and hold investments between five and twelve years. The Funds' investments are long-term mezzanine investments and common equity investments. Each Fund pursues a strategy for current income and capital appreciation, through privately negotiated transactions in mezzanine investments and common equity in the Region.

**Follow-On Investments**

After the commitment period, the Funds may make investments to preserve, protect or enhance the value of existing investments ("Follow-On Investments"). These Follow-On Investments may only represent up to an agreed percentage of the Funds' total commitment amounts as set forth in the Fund Governing Documents.

**Co-Investments**

Where appropriate, LAP intends, but is not obligated, to provide co-investment opportunities to certain Investors in accordance with the Fund Governing Documents.

**Allocation of Investment Opportunities**

Through the end of the commitment period, any investment suitable for the Funds that is presented to the Adviser, General Partner, or Partners is required to be offered to the Funds except as provided for in the Fund Governing Docs. To the extent that an investment is offered to a Fund and that Fund declines to invest in such opportunity, neither the Adviser nor any of their affiliates shall invest in such opportunity without the consent of the Advisory Board or Committee of the Funds (collectively "Advisory Boards") as provided for in the Fund Governing Documents.

**Investment Limitations**

As described in the respective Fund Governing Documents, the Funds are subject to certain investment guidelines and limitations, including but not limited to the amount of total commitments made to one portfolio company, exposure to individual countries, and certain industry sectors.

**Exclusion from Certain Investments**

Investors may be excluded from certain investments pursuant to the terms of the Fund Governing Documents.

**Unforeseen Risks**

The securities markets may be subject to unforeseen risks, including political events, terrorism, war, fraud, force majeure, fire, flood, earthquakes, and outbreaks of an infectious disease, pandemic, or any other serious public health concern. These unforeseen risks may have a negative effect on the performance of clients' investment portfolios.

**Associated Risks**

All investing involves a risk of loss and the investment strategy offered by the Adviser could lose money over short or even long periods. An investment in the Funds is a speculative investment and is not intended as a complete investment program. It is designed for sophisticated Investors who fully understand and can bear the risk of a complete loss of principal of its investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors will receive a return of their capital.

Identifying and participating in portfolio company investments and assisting in building successful enterprises is challenging. Many investment decisions made by LAP will depend on the ability of its members to obtain relevant information predominantly from non-public sources, as well as reliance upon information provided by third parties that is impossible or impractical to verify. The marketability and value of each investment will depend upon many factors beyond the control of the Adviser.

Key risk areas inherent to investing in portfolio companies include operational, investment and market risks. LAP seeks to mitigate these risks through a variety of mechanisms, including operational due diligence, risk modeling, and appropriate investment structuring.

The descriptions contained below are a brief overview of different risks related to the Adviser's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds.

### **Risks Involved in the Funds' Strategy**

Given the Funds' investment and geographical focus, they may face the risks inherent in any emerging market infrastructure investment, including construction risk for greenfield and expansion projects, operational and technology risk, market and commercial risks, off-take and supplier risks, regulatory and political risks, currency risks, and environmental risk. Because the Funds may invest in sectors that typically do not have contractually-based revenue streams, such as natural resources, housing, tourism, health and education, and many transportation sectors, the Funds will also face market and commercial risk for these projects – although LAP seeks to capitalize on these risks by capturing the potentially higher upside in these sectors.

The Funds may face certain risks specific to each Region, including natural disasters such as hurricanes and earthquakes as well as corruption and security risks in some countries. In addition, because the Funds will be making mezzanine investments with both loan (typically subordinated) and equity components, they may face the risk that a breach of a senior loan covenant could cause the senior lender to block payments on the Funds' subordinated loan. The Funds may also face some degree of exit risk preventing them from realizing the expected upside return on any equity investment or the equity component of their mezzanine investment.

### **Risks Related to the Funds' Investment Program**

*Material Non-Public Information.* By reason of their responsibilities in connection with the Funds and other activities, the General Partner and/or the Fund Manager may acquire confidential or

material non-public information or otherwise be restricted from transacting in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

*Management of Investments; Control Person Liability.* The operations of each of the Funds' investments are overseen by the Funds with the assistance of operators hired by the Funds or their representatives. Although the Funds are responsible for monitoring the performance of each of their investments and intend to invest in invested companies operated by strong management teams or operators, there can be no assurance that the existing management team, or any successor, or operator will be able to operate the investment successfully or otherwise in accordance with the Funds' plans.

*Leveraged Investments.* The Funds may invest in invested companies that may incur substantial additional debt. The leveraged capital structure of such invested companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the relevant invested company or its industry. In the event that an invested company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Funds' investment in such invested company could be adversely affected.

*Debt.* The Funds will incur substantial debt. If the Funds are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness, the Limited Partners would be responsible for this debt as further described in the Fund Governing Documents.

*Risk of Capital Loss; No Assurance of Investment Return; Unspecified Use of Proceeds.* An investment in the Funds is speculative, involves a high degree of risk and is suitable only for Investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of loss of all or a substantial part of such investment. Investors in the Funds will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments by the Funds. No guarantee or representation is made that the Funds will obtain suitable investments, achieve their investment objectives or otherwise be able to carry out their investment strategy successfully. Investors also should consider that the carried interest distribution to the General Partner may incentivize the General Partner to make investments in the Funds that are riskier or more speculative than would be the case without the carried interest distribution arrangement, although the General Partner's and its affiliates' commitment of capital to the Funds should somewhat reduce this incentive. There can be no assurance that the Funds will realize net profits or achieve returns commensurate with the risks associated with their investments or that the Funds will not experience losses, which may be substantial. Accordingly, an investment in the Funds is unsuitable as the sole investment for a prospective Investor.

*Industry Risks.* The Funds may focus on investments in invested companies that operate in a variety of industries and market sectors. Such invested companies may be challenged by a variety of factors, including, without limitation, rapidly changing market conditions and/or participants, construction risk, reliance on new technologies, changes in commodity or energy prices, adverse economic

conditions impacting customers, and wary investors in the public marketplace. Certain invested companies may also be subject to complex laws or regulations, which may change and adversely affect the Funds and their investments. Tax and other government incentives currently provided or anticipated to be provided to certain industries may not materialize or may change. Investee companies operating in certain industries may also be subject to additional liabilities, including without limitation environmental liabilities.

*Market/Commercial Risk.* Market/Commercial risk arises when a company or project that does not have a contractually guaranteed revenue stream, does not generate the expected revenue either due to a loss of volume or to a drop in the price of the product or service. This risk could occur due to unforeseen/underestimated competition or a variety of factors affecting demand for the company's products or services over time. The Funds will endeavor to mitigate this risk by conducting thorough market analysis, supplemented when necessary by outside market consultants, for any investment, but particularly those that do not have a contractually-guaranteed income stream. The Funds will seek out investments in which the invested company has the ability to generate an adequate income stream over the life of the investment, for example, by being a market leader in an industry with high barriers to entry or a low-cost provider in a situation where it would be highly unlikely for new entrants to be able to duplicate the invested company's competitive advantage.

*Supplier Risk.* This occurs when a raw material or other input such as electricity, water, etc., critical to a Fund project is unavailable or more expensive than anticipated. In the due diligence process, the Fund Manager intends to focus on the quality and track record of the suppliers, strong contractual terms, and an analysis of alternate sources of supply should the supplier default on its obligations.

*Foreign Exchange Risk.* This occurs when adverse movements in foreign exchange rates reduce the hard-currency value of revenues of one of the Funds' invested companies, impeding its ability to meet its hard-currency debt service obligations.

For all Fund Investments, the Fund Manager intends to analyze the valuation of local currencies to assess the impact of currency movements on the economics of a project, for example where appreciation of local currency could decrease margins for a company with Dollar revenues or for a company with Dollar tariffs but where local currency depreciation could cause customers to switch to alternatives or increase delinquencies. In any case in which there is some local currency exposure, either on the revenue or cost side, the Fund Manager intends to look for cost effective ways to hedge that exposure as well as mechanisms such as guarantees, pledges, and offshore reserve accounts to offer additional credit support.

*Environmental and Social Risk.* Environmental and social risks will vary widely depending on the sectors of in which the Funds' invested companies operate, but in general, the Funds intend to only invest in projects with manageable environmental risks. The Funds intend to avoid projects in which environmental or social issues seem likely to cause delays in the project's development, even if the Fund Manager believes those risks are not significant or are controllable.

*Force Majeure Risk.* The Funds could be adversely impacted by catastrophic events such as wars, political upheaval, earthquakes, hurricanes, tornados, floods, terrorist attacks, and other similar

events. The risk of natural disaster is an issue in the Region, particularly in Central America and the Caribbean because the Region, due to its geography, is prone to both hurricanes and earthquakes. These disasters may affect not only economic growth prospects but also physical infrastructure. The risk will vary widely depending on the nature and location of the invested companies. Some of this risk can be mitigated through insurance, including both business interruption insurance and property and casualty insurance covering the physical infrastructure. The exposure of any investment to these risks will be analyzed carefully during due diligence as it is unlikely that insurance will be available at a reasonable cost to compensate fully for all such risks. If this risk is deemed to be too high, the Funds will not proceed with the investment. The Fund Manager will be mindful of these risks as it seeks to build a diversified portfolio of investments across multiple sectors and countries.

*Lack of Sufficient Investment Opportunities; Competition.* It is possible that the Funds will not be able to fully deploy the available capital if insufficient attractive investment opportunities are identified. In addition, the business of identifying and structuring such transactions is highly competitive and involves a high degree of uncertainty. There is no assurance that the Funds will be able to take advantage of any attractive investment opportunity that is identified.

*Subordinated Lending Risk.* Subordinated lending risk exists because the Funds may be lending to companies where senior bank lenders have first priority claim on cash flows and collateral and where their loan agreements may contain covenants that could cut off payments on subordinated debt should a technical or payment default occur. The Fund Manager will endeavor to mitigate this risk by a careful review of any senior loans that are in place at the time the Funds make their investment, in order to fully understand the rights of the senior lenders and events that could trigger a block on payments to the Funds. For situations where no senior loan is in place at the time of a Fund Investment, the Fund Manager will seek to include in the Funds' loan documents provisions allowing for the Fund Manager to review the terms of any senior loans and requiring prepayment of the Fund's loan if the terms of the senior loan are not acceptable.

*Exit Risk.* There will be exit risk relating to the equity participation features of the loans, or if one of the Funds' investments involves a pure equity participation as well. The Fund Manager will attempt to mitigate this risk by adapting the form of the equity participation to the particular project, the expected type of exit if any, and the exit time horizon. In all cases, the Fund Manager will analyze the various exit possibilities carefully and will seek to structure multiple options to cover a variety of ways to realize the value of its equity participation.

*Limited liquidity of the Fund's Investments.* The Funds' investments will have limited liquidity, or are otherwise of a type generally considered illiquid. There is no active secondary market for the loans that the Funds make or intend to make or for the equity securities or equity options, warrants or other equity participation features of the kind the Funds has acquired or intends to acquire. Sales may be limited by economic, securities market, political, or other local conditions generally, or by conditions that are unfavorable for sales of debt or equity of issuers in particular industries. In addition, the Funds may be legally or contractually prohibited from disposing of an investment at a time it might otherwise seek to do so. Any of these circumstances could prevent or delay the disposition of the Funds' investments or reduce the amount of proceeds that might otherwise be realized.

*Limited diversification/concentration.* The Funds are expected to make only a limited number of investments. Consequently, the aggregate investment returns may be substantially and adversely affected by the unfavorable performance of even a single loan or investment in the Funds' portfolio. If the capital raised is less than the targeted amount, the Funds may make fewer investments and thus be even less diversified/more concentrated.

*Availability of Investment Opportunities.* The business of identifying and structuring mezzanine and private equity investments is highly competitive and involves a high degree of uncertainty. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified during the commitment period. Accordingly, an Investor must rely upon the ability of the General Partner in making investments consistent with the Funds' investment objectives and policies. If the Funds make only a limited number of investments, the aggregate returns realized could be adversely affected in a material manner by the unfavorable performance of even one such investment.

*Long-Term Nature of Interests and the Fund's Investments.* Investments by the Funds typically will not be liquidated for a number of years after the initial investment.

*General Cash Flow Risks.* The principal investment objective of the Funds is to make mezzanine investments and to acquire securities in entities with prospects for capital appreciation. It is anticipated that certain of the entities in which the Funds will invest will be leveraged and will likely not provide any significant cash distributions until the underlying property is sold or refinanced. Accordingly, the Funds will likely not be able to make any significant cash distributions other than in connection with the sale or recapitalization of its investments. Furthermore, Investors should be aware that the General Partner is not obligated to manage investments to maximize current returns.

*Short-term Financings.* From time to time, the Funds may lend to invested companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such short-term loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Funds' control, such long-term securities may not be issued and such short-term loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

*Limited Liability and Indemnification.* As provided in the Fund Governing Documents, the General Partner and certain affiliated persons and entities (each an "Indemnified Person," and collectively "Indemnified Parties") will not be liable to the Funds or their Investors for any act or omission performed by them within the scope of the authority granted to them under the Fund Governing Documents, subject to certain exceptions. Therefore, the Investors may have a more limited right to action than they would have had in the absence of the terms and conditions of the Fund Governing Documents. Additionally, the Funds will, to the extent permitted by law, be required to indemnify Indemnified Parties for any and all losses and liabilities sustained by such persons in connection with the Funds, subject to certain exceptions. Such liabilities may be material and have an adverse effect on the returns. The indemnification obligation of the Funds would be payable from the assets of the Funds, including certain unfunded commitments of the Investors, and Investors may be

required to return certain amounts distributed to them to fund the indemnity obligations of the Funds.

*Third-Party Involvement.* The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, or 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. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

*Uncertainty of Financial Projections.* The General Partner will generally establish the capital structure of potential invested companies on the basis of financial projections for such companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be realized, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections.

*Controlling Interests.* In case of a pure equity investment or an equity participation, the Funds may have controlling interests in some of its invested companies. The exercise of such control may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability that is generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Funds might suffer a significant loss.

### **Risks Related to Investing in the Region**

Investments in emerging markets can involve substantial political, economic, legal and financial risks. Many of these risks, although difficult to quantify or predict, may be more significant than the similar risks of investing in more developed markets.

*Less developed capital markets.* Investing in securities in emerging markets involves exposure to economic structures that are generally less diverse and mature than those of developed countries. Other characteristics that may affect investments in such markets include certain national policies that restrict investments and private property. The typical small size of the markets for securities located in such emerging markets and the possibility of a low or nonexistent volume of trading in those securities may also result in a lack of liquidity and in price volatility of those securities.

*Security Risk.* Security risk is the risk that a portfolio project could encounter due to its location and the existing level of crime in its area of influence that could potentially delay or restrict the construction, development and operation of the business in the normal course. The countries in the Region have been negatively impacted by international drug trafficking and the resulting increase

in crime and drug-related violence and these will most likely continue to pose a challenge to the regional security situation as well as to the Region's development and growth.

*Regulatory and Political Risks.* Regulatory and political risk exists for projects in which there is a public off-taker or for utilities or industries where the government has granted a concession or regulates tariffs or other terms of a company's business, including, for example, labor regulations, service standards, or tax laws. The Funds will seek to limit its exposure to sectors with a high degree of government involvement or regulation, but will likely be investing in some companies for which government regulation, concessions, and public off-takers are a factor. This risk will be assessed by thorough due diligence on the political situation in each country, the history of government regulation for the specific industry under analysis, the transparency and enforceability of the laws and regulations affecting the sector, and the possibility that future governments could enact changes to current laws.

In general, the General Partner believes that the Region's climate for private investment has improved dramatically over the past decade, decreasing the likelihood of politically-motivated expropriation, concession withdrawal, tariff reductions, or other actions that could impact the viability of infrastructure projects.

*Legal Risks.* Some countries in the Region do not have the fully-developed legal systems and the bodies of commercial law and practice normally found in more developed nations. Laws affecting international investment and business continue to evolve. Fund Investments could be adversely affected by changes in laws and regulations or the interpretation thereof, including those governing the formation of joint ventures and foreign direct investments, anti-inflationary measures, laws governing rates and methods of taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation (both outright and gradual) of private property and enterprise.

*Ability to Enforce Legal Rights.* Some courts in the Region lack experience in commercial dispute resolution, and many of the procedural remedies for enforcement and protection of legal rights typically found in more developed jurisdictions are yet to be fully-developed in such countries. The extent to which local parties and entities, including local governmental agencies, will recognize the contractual and other rights of the parties with which they deal is uncertain. The Funds' invested companies may therefore be unable to protect and enforce rights against local governmental and private entities.

*Accounting Standards; Limited Availability of Information; Due Diligence.* Accounting standards in the Region may not correspond to international accounting standards, and national accounting, auditing and financial reporting standards may not be in place. There are also generally fewer government regulations of the securities markets in the Region than in most developed countries. The financial information appearing on the financial statements of an invested company in the Region may not exactly reflect its financial position or results of operations as they would be reflected if the financial statements had been prepared in accordance with international best practices and generally accepted international accounting principles. Thus, Investors in the Region may have access to less reliable and less detailed information than Investors in more economically sophisticated countries, including both general economic and commercial information and information concerning the operations, financial results, capitalization and financial obligations,



earnings and securities of specific enterprises. The scope and nature of the Fund's due diligence activities in connection with its investments may, in some cases, be more limited than due diligence reviews conducted in more developed economies because, among the other factors listed in this section, (a) certain information may be unavailable or prohibitively costly to obtain and (b) the information that is available may be generally less reliable and less detailed than financial information that is typically available to Investors in developed countries. The potential lack of information and increased difficulty of due diligence in emerging markets increases the likelihood of material losses on Fund Investments. While the General Partner will conduct extensive due diligence in connection with each Fund Investment, no assurance can be given that it will be able to obtain the information or assurances that an Investor in a more sophisticated economy would obtain before proceeding with an investment.

### **Risks Related to the Structure of the Funds**

*Lack of Control by Investors.* The business of the Funds is managed exclusively by the General Partner. Investors will have no opportunity to control the day-to-day operation of the Funds or invested companies (including investment and disposition decisions). Furthermore, Investors will not have the opportunity to evaluate the relevant economic, financial and other information that will be utilized by the General Partner in its selection of investments, nor to receive the detailed financial information issued by invested companies that is available to the General Partner. In addition, Investors will have no part in the management and control of the Funds or invested companies, other than through the Advisory Board, and will not have rights to approve the admission of new Investor (s) or the increase in the commitment of any existing Investor(s).

*Reliance on Key Personnel.* The success of the Funds is dependent on the participation of the Fund Manager's and its affiliates' investment team. Should any member of the investment team become incapacitated or in some other way cease to participate in the Funds, the Funds' performance could be adversely affected. In addition, the Funds' success will be dependent upon the activities of experienced investment professionals to locate, monitor and manage investments. There can be no guarantee that the General Partner will be able to attract and retain such investment professionals during the term of the Fund.

*Forced Withdrawal.* At any time, the Funds, acting by its Advisory Board, in consultation with General Partner, may cancel all or a portion of a Limited Partner's unpaid equity commitment and/or compulsorily repurchase or redeem all or a portion of such Limited Partner's Interests in certain circumstances as described in the Fund Governing Documents.

*Restrictions on Transfer and Withdrawal.* The Interests in the Funds are subject to restrictions on transferability and resale and are not transferable except with the consent of the General Partner, and Limited Partners may not withdraw capital from the Funds. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. The Interests in the Funds will not be registered for public sale under the U.S. Securities Act of 1933, as amended, and the Funds has no present intention of registering such Interests in the future. Such Interests may not be resold, transferred or otherwise disposed of by Investors other than in compliance with applicable securities laws and in accordance with applicable provisions of the Fund Governing Documents.

*Significant Consequences for Default.* The Fund Governing Documents contain significant penalties in the event an Investor defaults on its payment obligations, including losing its right to potential distributions from the Funds. In addition, failure by an Investor to meet a capital call could reduce the number of Fund Investments that the Funds may make.

*General Business and Management Risk.* Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases the Adviser will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Funds face competition from numerous competitors in all fields of activity. The Funds compete for investments with a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that a Fund will be able to locate and complete investments that satisfy the investment objectives or that it will be able to invest fully its available capital.

*Valuation of Assets.* Most of the securities owned by the Funds are not publicly traded and are required to be fair valued by the Adviser. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. Investors should review the Fund Governing Documents to understand the risks and potential conflicts of interest. However, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Fund.

*Lack of Operating History.* Although the Adviser's team has prior experience, both together and separately, relating to the acquisition and financing of public and private companies and in investments similar to those to be made by the Funds, the Funds have no operating history and no basis upon which an evaluation of its prospects can be made.

*Nature of the Funds' Investments.* A substantial portion of the Funds' investments will be in equity or equity-related investments that by their nature involve business, financial, market and legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the Funds will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are

inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities. As a result, a Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. Although the Funds intend to make primarily control-oriented investments, a Fund may make minority equity investments in companies where it may have limited influence. Such a company may have economic or business interests or goals that are inconsistent with those of the Funds, and a Fund may not be in a position to limit or otherwise protect the value of its investment in the company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the Funds' investments. The Funds' control over the investment policies of these companies may also be limited. The Funds' investments may involve leveraged acquisitions, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to Investors. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns to the Investors, if investment results fail to cover borrowing costs then returns to the Investors will be lower than if there had been no borrowings. The Funds may co-invest in a company with financial, strategic or other third-party Investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that 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. In addition, the Funds may, in certain circumstances, be liable for actions of its third-party co-venturers or partners.

*Indemnification.* The Funds may be required to indemnify the General Partner, the Adviser, their affiliates and each of their respective members, officers, directors, Employees, stockholders, shareholders or partners and other persons who serve at the request of the General Partner on behalf of the Funds for liabilities incurred in connection with the affairs of the Funds. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the partners, managers or affiliates of the General Partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unpaid capital commitments of the Limited Partners. 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 the Fund Governing Documents.

## **Cybersecurity Risk**

Investment advisers, including LAP, must rely in part on digital and network technologies ("cyber networks") to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent

network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. LAP maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data, and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about LAP or its clients or their investors, and/or cause damage to client accounts or LAP's activities for clients or their investors. LAP will seek to notify affected clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such clients or investors to unintended parties.

**Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or Investor's evaluation of the adviser or the integrity of the adviser's management. Neither LAP nor any of its officers, directors, Employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

### Pooled Investment Vehicles

LAP organizes and sponsors the Funds, which are limited partnerships. These pooled investment vehicles managed by LAP are controlled by affiliated General Partner entities (“GP Entities”). LAP or the GP Entities are responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. While some of LAP’s affiliates, including the GP Entities, are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act and the rules thereunder. In addition, Employees and persons acting on behalf of some of LAP’s affiliates, including the GP Entities are subject to the supervision and control of LAP. Thus, LAP’s affiliates, including the GP Entities, all of their Employees and the persons acting on its behalf would be “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on some of LAP’s affiliates, including the GP Entities.

### Third-Party Service Providers

LAP and its Employees may, at times, utilize certain critical third-party service providers that are being utilized by the Funds (including, but not limited to outside counsel, accounting firms and bank custodians) for personal services. Due to the Funds’ relationship with such third-parties, LAP and its Employees may be provided various products and services from these third-party service providers at rates that are significantly less than those paid by the Funds for similar or comparable services. Accordingly, LAP and its Employees are obtaining a benefit as a result of their position at the Adviser and due in large part to the commercial relationship that the Funds maintain with such third-party service providers. These discounted service fees may not exist (or may be less) if these service providers did not also complete work on behalf of the Funds. Thus, LAP and its Employees are faced with a conflict of interest related to the on-going evaluation of the services provided by such third-parties and may result in LAP and its Employees recommending the Funds’ on-going use of these service providers when it may not be appropriate to do so.

### Portfolio Company Representation

Employees of the Adviser serve as directors and officers of certain portfolio companies and, in that capacity, are required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual’s duties as an Employee of the Adviser and such individual’s duties as a director or officer of such portfolio company.

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

Pursuant to Rule 204A-1 under the Advisers Act, LAP has adopted a written Code of Ethics (the “Code”) predicated on the principal that the Adviser owes a fiduciary duty to the Funds and its Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all Employees. The Adviser requires its Employees to act in the Funds’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Adviser generally prohibits the purchase or sale by Employees of securities that are held by the Funds; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of personal securities transactions of any Employee who has access to non-public information regarding any client’s trading or any Fund’s holdings, who is involved in making securities recommendations to clients, or who has access to non-public securities recommendations (jointly “Access Persons”) and all holdings; and requires prompt internal reporting of Code violations. LAP endeavors to maintain current and accurate records of all personal securities accounts of its Access Persons in an effort to monitor all such activity. A copy of LAP’s Code is available upon request by Investors.

Certain transactions in which LAP engages may require, for either business or legal reasons that no Access Persons trade in the subject securities for specified time periods. LAP, its Partners, and investment professionals may execute transactions for their own accounts, subject to restrictions and reporting requirements as may be required by law, as set forth in the Fund Governing Documents or as otherwise determined from time to time by LAP.

## Item 12: Brokerage Practices

The Adviser focuses on making investments in private securities, and does not ordinarily deal with any financial intermediary such as a broker-dealer; therefore, commissions are not ordinarily payable in connection with such investments. To the limited extent LAP transacts in public securities, or other non-private equity investments (e.g., currency hedging), LAP will seek to obtain best execution. LAP intends to select brokers based upon the broker's ability to provide best execution for the Funds. LAP and/or the General Partner is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of their Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

The Adviser does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to LAP's own research effort. To the best of LAP's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. The Adviser does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.



**Item 13: Review of Accounts**

All investments are carefully reviewed and approved by the General Partner of each respective Fund. The portfolio companies are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

LAP provides each Investor with the following reports in accordance with the terms of the applicable Fund Governing Documents, which include but are not limited to: (i) audited annual financial statements; (ii) unaudited quarterly financial statements together with a comprehensive investment memorandum describing the major events that occurred and an overview of general market conditions; and (iii) annual tax information necessary to complete any applicable tax returns.

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

LAP does not currently utilize third party placement agents (i.e., solicitors) to introduce prospective investors to the Funds.

LAP or its affiliates may charge portfolio companies transaction fees, broken deal fees, set-up fees, advisory fees, acquisition fees, financial fees, consulting fees, monitoring fees, commitment fees, and other similar fees. Also, Employees of LAP who serve on the board of directors of portfolio companies may receive compensation (in the form of cash, stock options or other equity awards) in their capacity as directors. Such direct and indirect compensation received by LAP or by an Employee of LAP is transferred for the benefit of the relevant Fund or applied as a reduction of the Fund's Management Fees. In addition, LAP may be reimbursed certain of its out-of-pocket expenses by portfolio companies in accordance with the Fund Governing Documents.

**Item 15: Custody**

LAP has access to client accounts (i.e., the Funds) since it or an affiliate serves as the General Partner of the Funds. Investors will not receive statements from any custodians. Instead, the Funds are subject to an annual audit conducted in accordance with U.S. Generally Accepted Auditing Standards by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

**Item 16: Investment Discretion**

In accordance with the terms and conditions of the Fund Governing Documents, and subject to the direction and control of the General Partner of each Fund, with the recommendation of each Fund's investment committee, the Adviser generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds. LAP personnel make up all or a majority of the Funds' investment committees.

## Item 17: Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, LAP has adopted and implemented written policies and procedures governing the voting of securities held by the Funds.

LAP's Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies. However, upon occasion, LAP will receive proxies in connection with its publicly traded portfolio companies, in which case it is the Adviser's policy to exercise the proxy vote in the best interest of its Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that LAP believes will (i) maximize the economic benefits to the relevant Fund and (ii) promote sound corporate governance by the issuer. LAP may also be required to exercise a vote for a privately-held portfolio company, in which case the same procedures shall apply.

LAP will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Funds on the other. However, as is typical with private equity investing, LAP seeks and accepts the election of a LAP representative to serve on the board of directors on behalf of its Funds and will typically, but not always, vote in favor of board recommendations. In situations where LAP is required to vote the proxy for a company in which Employees of LAP serve on the board of directors, LAP has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such portfolio company. Accordingly, while LAP is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of LAP's Funds. In situations where LAP perceives a material conflict of interest, LAP may refer the voting to the Advisory Board or conflicts committee of each respective Fund, or take such other action in good faith which would protect the interests of LAP's Fund.

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

**Item 18: Financial Information**

A balance sheet is not required to be provided as LAP does not solicit fees more than six months in advance. Moreover, LAP does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients. Finally, LAP has not been subject to any bankruptcy proceeding during the past 10 years.