



## 424 Capital, LLC Part 2A of Form ADV

301 Edgewater Place, Suite 425  
Wakefield, Massachusetts 01880

<https://424capital.com/>

March 29, 2023

This brochure provides information about the qualifications and business practices of 424 Capital, LLC and Brook Venture Management, Inc (collectively the “Adviser” or “Firm”). If you have any questions about the contents of this brochure, please contact us at 781-295-4000.

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

The Adviser 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”). 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

This Brochure dated March 29, 2023, is filed as an annual amendment to the Firm's ADV Part 2A and replaces our most recent other-than-annual amendment dated November 4, 2022.

This item of the Brochure identifies any material changes that have occurred since the Firm's initial Form ADV Part 2A filing, which was dated June 30, 2022:

The following section(s) were updated:

- **Item 5 – Fees and Compensation:** updated to disclose management fees charged to 424 Capital Fund II, LP.
- **Item 14 – Client Referrals and Other Compensation:** was updated to be consistent with the New Marketing Rule, including updating the Cash Solicitation Rule reference.

## **Item 3 Table of Contents**

<b>Item 3 Table of Contents .....</b>	<b>3</b>
<b>Item 4 Advisory Business .....</b>	<b>4</b>
<b>Item 5 Fees and Compensation .....</b>	<b>5</b>
<b>Item 6 Performance Based Fees and Side-by-Side Management .....</b>	<b>6</b>
<b>Item 7 Types of Clients .....</b>	<b>6</b>
<b>Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>6</b>
<b>Item 9 Disciplinary Information .....</b>	<b>11</b>
<b>Item 10 Other Financial Industry Activities and Affiliations .....</b>	<b>11</b>
<b>Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>12</b>
<b>Item 12 Brokerage Practices .....</b>	<b>12</b>
<b>Item 13 Review of Accounts .....</b>	<b>13</b>
<b>Item 14 Client Referrals and Other Compensation .....</b>	<b>13</b>
<b>Item 15 Custody .....</b>	<b>13</b>
<b>Item 16 Investment Discretion .....</b>	<b>14</b>
<b>Item 17 Voting Client Securities .....</b>	<b>14</b>
<b>Item 18 Financial Information .....</b>	<b>14</b>

## **Item 4 Advisory Business**

### **Firm Overview**

424 Capital, LLC (“424”) is an asset management firm providing services to private pooled investment vehicles. 424 Capital, LLC was originally founded under the name of its predecessor in 1998 as Brook Venture Management, Inc (“BVM, Inc”). In 2019, 424 Capital LLC completed an organizational spin-out and became an independent firm. 424 Capital LLC is headquartered in Wakefield, Massachusetts and is registered as an investment adviser in accordance with SEC guidance under the Investment Advisers Act of 1940, as amended. 424 Capital, LLC and Brook Venture Management, Inc (collectively the “Adviser” or “Firm”) are under common control and operate as a single advisory business.

### **Firm Ownership**

424 Capital, LLC is owned by Principals/Managing Partners Walter Beinecke, Brennan Mulcahey, and Kyle Stanbro (“Managing Partners”).

Brook Venture Management, Inc is owned by Principal Walter Beinecke.

### **Firm Offerings**

The Adviser provides discretionary portfolio management services to private pooled investment vehicles (the “Private Investment Funds”) in accordance with the investment guidelines set forth in each Private Investment Fund’s applicable limited partnership agreements, investment management agreements, operating agreements, offering memoranda, and other such agreements (the “Governing Documents”). The Firm is responsible for the investment decisions and performance of the Private Investment Funds. The Firm does not tailor its investment advice to the needs of investors in the Private Investment Funds.

Investors are required to meet certain suitability requirements, such as being an “Accredited Investor”, a “Qualified Client” and/or a “Qualified Purchaser” as defined under federal laws. Investors interested in a Private Investment Fund should refer to the Private Investment Fund’s Governing Documents for important information regarding the Private Investment Fund’s investment objectives, risks, fees, and additional disclosures for a complete understanding of the terms and conditions for investing in the relevant Private Investment Fund.

### **Wrap-Fee Program**

The Adviser does not participate in any wrap fee programs.

### **Assets Under Management**

As of December 31, 2022, the Adviser had \$207,146,868 of regulatory assets under management. All assets are managed on a discretionary basis.

## Item 5 Fees and Compensation

### **Adviser Compensation**

The Adviser's fees and compensation arrangement may vary among the Private Investment Funds. The specific terms of such arrangements are established by the Firm and are set forth in each of the Private Investment Fund's Governing Documents.

***Fixed Fees:*** With respect to 424 Capital Co-Invest Fund I, LP, 424 Capital Fund I, LP, Brook Venture Partners IV, LP, Brook Co-Investment III, LP and 424 Capital Fund II, LP, the Adviser will be paid a portfolio company base fee based upon the capacity of the portfolio company, in exchange for management services which include providing Financial Planning & Analysis services, oversight of the sales and marketing strategy, corporate development including management of all merger and acquisition activities, strategic planning and managing and chairing the Board of Directors and subcommittees of each portfolio company. Directors' fees are incorporated within the Portfolio Company Management Fee. The Adviser will receive compensation under a management fee agreement with each of the Private Investment Fund's portfolio companies for the management and operation of the portfolio companies' business. The Adviser will charge and receive its management fee, subject to terms of the portfolio company's management fee agreement, regardless of the condition or value of the Fund's investment in the portfolio company. The fee may vary by each individual portfolio company in each Private Investment Fund but has not been set higher than \$1,200,000 for any individual portfolio company.

***Management Fees:*** In addition to the fixed fee to be paid by the portfolio companies of the Private Investment Fund, Limited Partners bear their proportionate share of the applicable investment management fee charged to 424 Capital Fund II, LP. Such Private Investment Fund will pay the General Partner an annual management fee, which shall be equal to 1% of aggregate commitments. The management fee is generally deducted directly from the Private Investment Fund.

***Performance Fees:*** The General Partner is also eligible to receive a performance-based allocation ("Carried Interest") with respect to realized investments after return of capital in the Private Investment Funds. The manner of calculation of such carried interest is disclosed in the Governing Documents and may vary by Private Investment Fund. Generally, however, the General Partners receive carried interest up to 20% of realized gains above certain return thresholds (subject to clawback).

***Assets Under Management Fees:*** Compensation earned by Brook Venture Management, Inc for providing investment advisory services to Brook Venture Fund IIA, LP is generally comprised of an asset-based management fee, which does not exceed 2% and is generally payable monthly in arrears. The management fee is generally deducted directly from the Private Investment Fund. The Private Investment Fund which may hold private equity or other illiquid investments is typically charged fees based upon cost basis of investments.

Details about a particular Private Investment Fund's specific fee structure can be found in the relevant Private Investment Fund's Governing Documents.

### **Other Non-Advisory Fees**

In addition to the fees described above, the Limited Partnership of each Private Investment Fund is generally responsible for certain operating expenses as disclosed in the related Governing Documents. These expenses can include, but are not limited to: all administrative expenses, including legal, tax, accounting, custodial, printing, audits, insurance, advisory, Advisory Committee expenses, annual meeting expenses,

other expenses related to the investigating and retaining potential portfolio investments (including travel and other out-of-pocket expenses) and disposition of portfolio company, and other costs and expenses traditionally understood to be expenses related to the Private Investment Fund.

Moreover, the Limited Partnership of each Private Investment Fund may be charged with all costs and expenses pertaining to organizing and raising capital from prospective investors, as disclosed in each Private Investment Fund's Governing Documents ("Organizational Expenses").

All fees paid to the Adviser for investment advisory services are separate and distinct from the fees and non-advisory fees referenced above. More details related to the fees and expenses borne by the Private Investment Funds are included in their respective Governing Documents. Neither the Firm nor any of its supervised persons receive placement fees or commissions from third-parties for the sale of securities or other investment products, including asset-based charges or service fees from the sale of mutual funds.

Item 12 further describes the factors that the Adviser shall consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation, if applicable.

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

As described above in Item 5: Fees and Compensation, with respect to each Private Investment Fund, a portion of the profits of each such Private Investment Fund are distributed to certain affiliates of the Adviser as "carried interest" (the "Carried Interest"). While the receipt of Carried Interest is intended to align the Firm's affiliates' interests with those of the relevant Private Investment Fund, the nature of the Carried Interest creates a potential conflict of interest between the Firm's affiliates and the Private Investment Funds.

The Adviser typically charges the Private Investment Funds a performance-based fee, which is based upon a share of capital gains or capital appreciation of the assets of each Private Investment Fund. The nature of performance fees can encourage unnecessary speculation with Private Investment Fund assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset-based fee account. On the other hand, riskier investments historically have a higher chance of losing value.

The Firm evaluates investment opportunities that are in the best interests of the Private Investment Funds without regard to fee arrangements.

## **Item 7 Types of Clients**

The Adviser provides portfolio management services to private pooled investment vehicles. The minimum investment in a Private Investment Fund varies according to strategy and can be found in the relevant Private Investment Fund's Governing Documents.

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

### *Methods of Analysis and Investment Strategy*

The Adviser has developed a strategy of acquiring profitable, founder owned businesses that are uniquely positioned for a hands-on partner to guide them as they accelerate and scale. The private equity strategy focuses on growing businesses in the lower middle market. Sitting in between the venture capital and middle market private equity spaces, the Adviser targets investments within the lower middle market that have: (i)

lower entry multiples, (ii) more predictable revenue streams, (iii) profitable business models, (iv) low customer concentration, and (v) steady growth trajectories. Potential targets include both control and minority positions in revenue generating businesses, with proven, scalable models and defensible market positions.

The lower middle market is characterized by fragmentation and lack of market efficiencies, making it attractive for deal origination and value-add opportunities. The inefficiency of the market presents a sourcing edge for origination of investments at lower purchase price multiples, thus creating room for significant multiple expansion once a company achieves scale and market leadership.

To research potential investments, the Adviser gathers information from financial market analyses, inspection of corporate activities, research materials prepared by others, regulatory filings, industry data providers, and company annual reports. The Adviser seeks to leverage the varied business experience and knowledge of their personnel to achieve this objective by marshalling contacts across industries, as well as thoroughly researching business opportunities within its areas of expertise. The Firm has refined its target investment characteristics over a number of years and identifies the attributes that generate outsized returns. Investment criteria include but are not limited to:

- Majority investment control
- Strong organic growth
- Low capital expenditure requirements
- High recurring revenue business models
- High gross margins & operating leverage
- High levels of scalability
- Companies operating in high growth segment
- Fragmented industries with many acquisition targets

Through performing extensive due diligence and structuring transactions with an eye towards preservation of invested capital, the Adviser seeks to produce superior returns for its investors while mitigating risk. The Firm believes that its investments in the lower middle market have the unique ability to produce this outcome.

The Adviser attempts to limit the risk of capital loss, but all methods, strategies, and investments carry a risk of loss, including a total loss of principal. Investors should refer to the Governing Documents of any relevant Private Investment Fund for additional information relating to investment strategies and processes.

#### *Material Risks of Investment Strategies*

There is no guarantee of success of the investment strategies offered by the Adviser. The investment portfolios managed by the Adviser may be adversely affected by general economic and market conditions such as interest rate fluctuations, availability of credit, inflation rates, changes in laws, and national and international political circumstances. These strategies may not employ limitations on particular sectors, industries, countries, regions, or securities. Investors should also consider the following risks:

General Economic and Market Conditions. The success of a portfolio's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of certain investments. Unexpected volatility or illiquidity could impair a portfolio's profitability or result in losses. Investing in securities and other investments involves a risk of loss that the Private Investment Funds and limited partners should be

prepared to bear. Investors should refer to the Governing documents of any relevant Private Investment Fund for additional information relating to investment risks.

Illiquidity. Portfolios may invest in private market securities or other illiquid investments, which may make it difficult or impossible to dispose of such investments at desired times, thereby increasing the risk of loss.

Management Risk. Judgments about the value and potential appreciation of a particular investment may be wrong and there is no guarantee that the investment will perform as anticipated. The value of any single investment can be more volatile than the market as a whole or the Adviser's intrinsic value approach may fail to produce the intended results. There is dependence on the diligence, skill, and business contacts of the Adviser's investment advisory personnel for the execution of its strategies, including the selection, structuring, and closing of the Private Investment Fund's investments.

Business, Terrorism and Catastrophe Risks. Investments are subject to the risk of loss arising from the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism, and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on the Adviser's business and Private Investment Funds' portfolios.

Sector Focus Risk. Portfolios may be more heavily invested in certain sectors or industries, which may cause the value of their investments to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the portfolios to fluctuate. Certain sectors in which the portfolios invest are continuously evolving and are subject to rapid technological and regulatory change. The success of any business operating in these sectors is, to a large extent, dependent on its ability to acquire, develop, adopt, and exploit new and existing technologies and strategies and to distinguish its products and services from those of its competitors. The acquisition, development, adoption, exploitation and distribution of new and existing technology and strategy may take long periods of time and may require significant capital investment. In addition, the success of any business in these sectors is dependent on its ability to anticipate and adapt to regulatory change. These sectors are also characterized by intense competition.

Investment Amount in the Private Investment Fund may be Less Than Planned. It is possible that the Private Investment Fund is unable raise the maximum amount sought to be raised and therefore not able to make the maximum proposed investment in the company.

Possibility of Losses. It is possible that future operation of the business by the Adviser may not be profitable due to market forces, competition, loss of customers, excessive spending, loss of cost controls or other forces the Adviser cannot predict at this time. Sustained losses could deplete the Adviser's cash and result in insolvency.

Competition. The Adviser faces competition from a number of sources. Additional companies may enter the market and invest significant resources to develop competitive products and services. The Adviser's competitors or potential competitors may develop or market products and services that are more commercially desirable or are more effective than those developed or marketed by the Adviser and may have longer established client relationships and greater financial, managerial, human, technology, and other resources than the Adviser. The Adviser expects competition to continue to intensify, which may result in price reductions, reduced sales and margins, loss of market share and reduced acceptance of the Adviser's products and services.

The Adviser is engaged in a rapidly evolving field. Competition for its products and services comes from numerous sources. Many competitors have significantly greater financial, managerial, human, and technological resources than the Adviser. In addition, the market for dental marketing service, inhouse



membership software and the application of such software is growing rapidly and is attracting new entrants. Moreover, the industry in which the Adviser does business is composed of many small entities. This landscape provides the potential for a well-funded competitor to consolidate the industry. This may render the Adviser unable to effectively compete in its markets.

There can be no assurance that the Adviser's products and services, existing or to be developed, will be more effective or achieve greater market acceptance than competitive products and services, or that the Adviser's competitors will not succeed in developing products, services and technologies that are more effective than those being developed by the Adviser or that would render the Adviser's products, services, and technologies less competitive or obsolete. The Adviser may not be able to compete effectively in its markets.

Non-diversified Risk. Because Private Investment Funds may invest more of their assets in securities of a single issuer or a limited number of issuers, rather than a portfolio with greater diversification limitations, they may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers.

Use of Leverage. Leverage including SBA leverage magnifies the potential for gain and loss on monies invested, and, therefore, results in an increase in the speculative character of Private Investment Funds utilizing leverage. An investor in the Private Investment Fund will bear a greater share of the losses in a particular investment than would be the case in an unleveraged investment fund. Moreover, certain Private Investment Fund's investments are expected to include portfolio companies whose capital structures may include significant leverage. The leveraged capital structure of such portfolio companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy and deteriorations in the conditions of the portfolio company or its industry. If a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its other indebtedness, the value of the Private Investment Fund's investment in such company could be significantly reduced or even eliminated.

Co-Investments. The Adviser may in its discretion, but subject to the various Private Investment Fund Governing Documents and side letters, make available co-investment opportunities to certain investors that the Firm, in its sole discretion, deems suitable or strategic. The Adviser is not required to offer such co-investment opportunities to all investors and may select certain investors that it deems appropriate for co-investment opportunities. Co-investment opportunities may be made available through limited partnerships or other entities formed to make such investments. The Adviser will allocate available investment opportunities among the Private Investment Funds, any co-investment vehicle and any third parties as it may in its sole discretion determine. Therefore, in the event that a co-investment is a successful investment, (an) investor(s) that did not participate in such co-investment will not participate in the profits of such investment upon a liquidity event of the underlying investment, except to the extent the investor had a similar underling investment in the Private Investment Funds. The Adviser has adopted policies and procedures to address co-investment opportunities, in an effort to offer co-investment opportunities to investors and/or third parties which it believes are suitable for co-investment opportunities.

Expenditures to Increase Sales. The Adviser plans to expend resources to increase its sales capacity and capabilities. Such expenditures may impair the Adviser's financial condition.

Dependence on Key Personnel. The Adviser's operation of the business depends in large part on the experience and knowledge of its senior management and other key personnel. The Adviser's success also depends on retaining such personnel and the ability to hire, train, retain and manage other highly skilled employees. The Adviser may not be able to attract and retain a significant number of qualified employees or to successfully train and manage the employees it hires, which could render the Adviser unable to

efficiently run its business. If any members of the Adviser's staff resign to join a competitor, it could result in the loss of existing or potential clients or unauthorized disclosure or use of technical knowledge by the competitor.

Intellectual Property Risks. The Adviser may become subject to claims alleging that it has infringed upon third party intellectual property rights. Claims of this nature could require the Adviser to spend significant amounts of time and money to defend itself, regardless of the merit of such claims. If any of such claims were to prevail, the Adviser could be forced to pay damages, comply with injunctions, or halt distribution of its products or services while it re-engineers them or seeks licenses to the necessary intellectual property, which might not be available on commercially reasonable terms or at all.

Pricing Pressure. The Adviser faces pressure from some of its customers and potential customers regarding lower prices for products and services provided by the Adviser. Lowering the price of services could negatively impact the Adviser's future success.

No Guarantee of Distribution Payments. The Adviser makes no representations or guarantees that distribution on its membership units will be paid. The Adviser may retain future earnings, if any, to finance the development of its business.

#### *Small Business Investment Company ("SBIC") Funds*

Receipt of SBIC License and Unavailability of Leverage. There is no guarantee that a Private Investment Fund intending to be licensed by the U.S. Small Business Administration ("SBA") will be licensed by the SBA, and, further, becoming licensed as an SBIC does not automatically assure that the Private Investment Fund will receive debenture funding. Receipt of SBA leverage funding is dependent upon the Private Investment Fund continuing to be in compliance with SBA regulations and policies as well as the availability of funding. The amount of SBA leverage funding available to SBICs requires SBA approval and is dependent upon annual Congressional authorizations and, in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient Debenture funding available at the times desired by the Private Investment Fund.

Regulation by SBA. If a Private Investment Fund is licensed as an SBIC, the Private Investment Fund will be subject to SBA regulations and policies which may change during the life of the Private Investment Fund in ways that might require the Private Investment Fund to alter its business activities. Current SBA regulations provide the SBA with certain rights and remedies if an SBIC violates SBA regulations or policies. If the Private Investment Fund utilizes leverage, it will be required to avoid "Capital Impairment" which will be considered to exist if the Private Investment Fund's "Capital Impairment Ratio" (calculated by adding the Private Investment Fund's realized losses and net unrealized depreciation and dividing the result by the Private Investment Fund's private capital) exceeds permitted levels detailed in the SBA Regulations, and which vary depending on the proportion of equity investments made by the Private Investment Fund. Remedies for regulatory violations are graduated in severity depending on the seriousness of Capital Impairment or other regulatory violations. For minor regulatory infractions, warnings are given. For serious infractions, the use of SBA leverage may be limited or prohibited, and outstanding debentures can be declared to be immediately due and payable, restrictions on distributions and making new investments may be imposed, management fees may be required to be reduced and investors may be required to pay their remaining unfunded Capital Commitments to the Private Investment Fund, to be used to retire outstanding SBA leverage. In severe cases, the SBA may require removal of the general partner or its officers or directors, or the SBA may obtain federal court appointment of a receiver for the Private Investment Fund.

### *Material Risks of Securities Used in Investment Strategies*

Judgements about the value and potential appreciation of a particular security may be wrong and there is not guarantee that securities will perform as anticipated. The value of a security can be more volatile than the market as a whole.

Private Investment Vehicles. Private Investment Fund portfolios may be invested in other private funds, such as real estate funds, venture capital funds or other private pooled vehicles. Investments in a private fund may be subject to wide swings in value and may employ the use of leverage or hold illiquid securities. An investment in a private fund will not be liquid and may not have limitations on particular sectors, industries, countries, regions or securities. Because private investment vehicles are not registered investment companies, they are not subject to the same regulatory reporting or oversight as registered entities.

Private Company Risks. Companies in which the Private Investment Funds invest, directly or indirectly through other funds, may be in the early stages of growth, and the performance of early-stage companies may be more volatile due to their limited product lines, markets or financial reserves, or their susceptibility to competitors' actions, major economic setbacks or downturns. The portfolio companies may also depend on the management talents and efforts of a small group of people and, as a result, the death disability, resignation or termination of one or more of those persons could have a material adverse impact on the prospective business opportunities and the investments made. Additionally, some of the companies may require a significant investment of capital to support their operating, or finance the development of their products or markets, and may be highly leveraged and subject to significant debt service obligations, which could have a material adverse impact on the Private Investment Funds' investments.

## **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 your evaluation of the Adviser or the integrity of its management. The Adviser has no information applicable to this Item.

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

The Adviser provides portfolio management services to the Private Investment Funds and is not an insurance agency or broker-dealer. The Adviser does not receive insurance commissions or brokerage revenue of any kind. Neither the Adviser nor any management persons are registered, nor does the Adviser or any management persons have an application to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Affiliates of the Adviser include: 424 Capital Fund I, LLC, Brook Venture, LLC, Brook Venture Partners III, LLC, Brook Venture Partners II, LLC, Brook Venture Partners IIA, LLC, and 424 Capital Fund II, LLC. These affiliates serve as the General Partner to the Private Investment Funds and oversee the management and investment operations of the Private Investment Funds managed by the Adviser.

The Adviser does not recommend or select other investment advisers for its Private Investment Funds.

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

The Adviser has adopted a Code of Ethics pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended which applies to all supervised persons of the Firm and describes its high standard of business conduct and fiduciary duty to the Private Investment Funds. The Code of Ethics includes provisions related to the confidentiality of client and investor information, a prohibition on insider trading, restrictions on and reporting of significant gifts and business entertainment as well as policies and procedures governing trading securities in personal accounts. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics upon employment, annually, and as amended.

The Code of Ethics is designed to ensure that the personal securities transactions, activities, and interests of the supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of the Private Investment Funds and (ii) implementing such decisions while, at the same time, allowing supervised persons to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Adviser's clients. In addition, the Code of Ethics requires pre-clearance of transactions involving Initial Public Offerings, Limited Offerings, and Private Placements.

Related persons of the Adviser may invest their own money in the Private Investment Funds.

The Code requires access persons to report information about personal securities transactions and provide a summary of securities holdings initially upon hire and on an annual basis thereafter. The Code also addresses outside activities of supervised persons, conflicts of interest, policies and procedures concerning the prevention of insider trading, and restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items. The Adviser will provide a copy of its Code of Ethics to investors or prospective investors, upon request. Please contact Jenn Mosto by telephone at 781-295-4000 should you have any questions concerning our Code of Ethics or wish to obtain a copy.

## **Item 12 Brokerage Practices**

The Adviser exclusively engages in private equity transactions. In the event the Adviser engages in public securities transactions, the Firm will seek to use a custodian/broker who will hold the Private Investment Funds' assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We will consider a wide range of factors including, among others:

- Price
- The size of the transaction
- The nature of the market
- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Quality of services
- Reputation, financial strength, and stability of the provider
- Their prior and anticipated service to us and our other clients

The Adviser does not currently maintain any soft dollar arrangements. Similarly, the Adviser does not currently maintain any referral arrangements with broker/dealers. The Adviser does not accept directed brokerage.

The Adviser may be presented with investment opportunities that fall within the investment objective of more than one Private Investment Fund. When two or more Private Investment Funds are formed to invest on a parallel basis, the Adviser will allocate investments to such Private Investment Funds pro rata based on commitments, subject to any limitations in the applicable Private Investment Fund's Governing Documents. In addition, one or more non-parallel Private Investment Funds may invest together, subject to limitations set forth in the applicable Private Investment Fund's Governing Documents. The Adviser will determine allocations of investment opportunities in a manner that they believe is fair and equitable to the Private Investment Funds consistent with its obligations to each such Private Investment Fund, including as set forth in the applicable Private Investment Fund's Governing Documents and the Advisers trade allocation procedures.

## **Item 13 Review of Accounts**

The Adviser's Managing Partners are responsible and have ultimate authority for all transactions and investment decisions made on behalf of the Private Investment Funds. At least annually, the Private Investment Funds' portfolios are reviewed by a Managing Partner to ensure compliance with Private Investment Funds' objectives and restrictions as stated in the Private Investment Funds' Governing Documents.

The Private Investment Fund's investments are reviewed on an ongoing basis and may be reviewed specifically with regard to certain factors such as cash flows or in response to market conditions.

The Adviser, or its service provider, will furnish each Fund investor with written reports pursuant to the terms set forth in each Private Investment Fund's Governing Documents.

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

The Adviser does not receive any economic benefits from persons other than clients for providing investment advice or other advisory services to clients.

The Adviser does not currently maintain any referral arrangements with individuals or entities that may be compensated, directly or indirectly. If the Adviser were to enter into an arrangement with a third party, it would do so in accordance with Rule 206(4)-1 of the Investment Advisers Act of 1940.

## **Item 15 Custody**

The Adviser is deemed to have custody of the assets of the Private Investment Funds by reason of legal ownership or access to such assets because affiliated entities serve as General Partner to the Private Investment Funds. However, all client assets and transferrable securities are maintained at independent qualified custodians. The Adviser will comply with the requirements of the Custody Rule, as defined in the Investment Advisers Act of 1940, with regard to the custody as a result of affiliates serving as General Partner to the Private Investment Funds. The Adviser has entered into a written agreement with an independent public accountant to provide audited financial statements, as applicable under Rule 206(4)-2 of the Investment Advisers Act of 1940, to each Private Investment Fund's investors within 120 days following the Private Investment Fund's fiscal year end (180 days for any fund of funds).

## **Item 16 Investment Discretion**

The Adviser has investment discretion over the Private Investment Funds' assets, in accordance with each Private Investment Fund's respective Governing Documents. The Private Investment Funds' General Partners are affiliates of the Adviser. Each Private Investment Fund's Governing Documents generally set forth certain limitations with respect to the management of the Private Investment Fund and the activities of the Adviser, among others. Private Investment Fund investors may enter into side letter agreements with the Adviser, as described under Item 5 above. These agreements may have, among other things, the effect of limiting certain activities of the Adviser.

## **Item 17 Voting Client Securities**

Unless provided otherwise in the Governing Documents, the Adviser, or an affiliate thereof, will have voting power with respect to a Private Investment Fund's securities, but it is unlikely that a Private Investment Fund would hold any security for which proxies would be solicited. If the situation arises, the Adviser will monitor for potential conflicts of interest between the Private Investment Fund's interests and its own within the proxy voting process.

## **Item 18 Financial Information**

The Adviser does not require or solicit prepayment of fees six months or more in advance.

The Adviser is not aware of any financial condition that is reasonably likely to affect its ability to meet contractual and fiduciary commitments to clients.

The Adviser has never been the subject of a bankruptcy proceeding.