

# Diversis Capital Management, L.P.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Diversis Capital Management, L.P. (the “**Adviser**”). If you have any questions about the contents of this brochure, please contact the Adviser at (310) 396-4200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

The Adviser is an SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

**Item 2: Material Changes**

There have been no material changes to this brochure since Diversis filed its last annual amendment. Current and prospective investors are encouraged to review this brochure carefully and in its entirety.

### **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 .....	4
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 .....	8
Item 9: Disciplinary Information.....	13
Item 10: Other Financial Industry Activities and Affiliations.....	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12: Brokerage Practices .....	14
Item 13: Review of Accounts.....	14
Item 14: Client Referrals and Other Compensation .....	15
Item 15: Custody .....	15
Item 16: Investment Discretion .....	15
Item 17: Voting Client Securities.....	15
Item 18: Financial Information .....	16

#### **Item 4: Advisory Business**

Diversis Capital Management, L.P. (the “**Adviser**”) was founded in 2018 by Ron Nayot and Kevin Ma (the “**Managing Partners**”). Diversis Management, LLC is a relying adviser of the Adviser (the “**Relying Adviser**” and collectively with the Adviser, “**Diversis**”) and was formed in 2013 by the Managing Partners and serves as the adviser to certain legacy assets (the “**Legacy Funds**”). Diversis manages pooled investment vehicles (collectively with the Legacy Funds, the “**Funds**”) each of which are managed by managing members or general partner entities (the collectively, “**General Partners**”). Diversis is a private equity firm that executes control investments in lower middle-market companies that require operational transformation to realize their full potential. Diversis is industry agnostic but emphasizes enterprise software investments. Diversis seeks to invest in and grow the businesses it acquires through operational transformation and add-on acquisitions within a general hold period of 3-5 years.

As of December 31, 2022, Diversis manages \$1,731,002,472 on a discretionary basis. Diversis does not manage assets on behalf of any clients on a non-discretionary basis.

#### **Item 5: Fees and Compensation**

Diversis provides investment advisory services to the Funds pursuant to management agreements or other similar agreements (the “**Management Agreements**”). The Management Agreements, along with the private placement memorandum, limited partnership agreements, subscription materials or other governing documents (collectively, the “**Governing Documents**”), set forth the Diversis entity which receives fees in connection with the investment advisory services provided by Diversis to the Funds. The Governing Documents describe fees, compensation, and expenses in greater detail.

##### *Management Fees*

The Adviser receives a 2% annual management fee on total committed capital of the relevant Fund (“**Management Fee**”). The precise amount of, the manner and calculation of and the manner and timing of payment of the Management Fee for the relevant Fund is established by Diversis, as modified by negotiations with investors in the Fund (“**Limited Partner(s)**”), and are set forth in the Fund’s Governing Documents received by each Limited Partner prior to investment in such Fund.

The Relying Adviser receives a flat management service fee from the Funds it advises, the fee charged is a set dollar value for each Fund not based upon the value of committed capital. Please refer to each Funds’ Governing Documents for full disclosure of the fee charged.

Management Fees and other fees and distributions described below are generally subject to waiver or reduction by Diversis in its sole discretion, both voluntarily and on a negotiated basis with Limited Partners. The fee structures described herein may be modified from time to time.

##### *Carried Interest*

The General Partners generally are entitled to receive performance-based fees from certain Funds equal to 20% of all realized profits, subject to a specified preferred return with a related General Partner catch-up provision (“**Carried Interest**”), as more fully described in such Funds’ Governing Documents. If or as applicable, the Funds’ Governing Documents also include industry standard claw back provisions to prevent instances in which the applicable General Partner had received excess distributions of Carried Interest. The General Partners of certain Funds may waive or reduce

the amount of Carried Interest borne by any Limited Partner.

### Operating Partners

Diversis has and will continue, from time to time, in its sole discretion, to engage operating partners, directly or indirectly through one or more of the vehicles owned and/or managed by Diversis or its affiliates, that have been formed for such purpose in connection with the Fund's investments and investment processes. Such operating partners include consultants retained by Diversis or its affiliates, or persons or entities affiliated with Diversis (each such operating partner individually, or such vehicle, an "**Operating Partner**"). Operating Partners have and will continue to assist Diversis with a variety of activities including market research, new investment identification, pre-investment business diligence and post-investment value creation in their areas of expertise. Individual Operating Partners are not employees of Diversis and may work on both an exclusive or non-exclusive basis (but for the avoidance of doubt, are permitted to be employees of an Operating Partner entity owned and/or controlled by Diversis or its affiliates, that has been formed for the specific purpose of providing services in connection with the Funds' investments and investment processes). Operating Partners have and may, from time to time, continue to receive a deal fee in the event that a transaction in which they are directly involved is consummated, and have and may, from time to time, continue to receive ongoing monitoring or consulting fees, in each case, directly or indirectly, from Fund portfolio companies. In addition, Operating Partners are able to co-invest in certain portfolio investments on substantially the same terms and conditions as the Fund. Certain Operating Partners will share in the Carried Interest received by the General Partners.

Operating Partners receive fees and compensation and participate in Fund portfolio companies through entities that are formed for such purpose and are owned and/or controlled by Diversis. Operating Partners will, from time to time, serve on the board of a portfolio company or will provide additional services directly to such portfolio company. In either case, an Operating Partner will receive direct compensation from the portfolio company under terms agreed to by the portfolio company and the Operating Partner. Any portion of the compensation payable directly or indirectly to Operating Partners (including without limitations, fees, options, bonuses, salary, benefits, payments, expense reimbursements, incentive compensation grants and other compensation) will not offset the Management Fee.

### Other Fees and Expenses

Detailed information regarding the fees charged to the Funds is provided in each Fund's Governing Documents.

Certain of the portfolio companies pay transaction and monitoring fees to the Adviser for the duration of a Fund's investment in the company. Monitoring fees are paid as part of the ongoing monitoring and assistance provided to the portfolio company by the Adviser and offset the Management Fee.

The Funds will bear all costs, fees and expenses in connection with organizing, establishing and qualifying each Fund and its General Partner and the marketing and offering of Limited Partner interests in each Fund, all legal and accounting fees and expenses, registration fees, filing fees, printing costs, travel costs and ancillary expenses (including, without limitation, airfare (including business class or first class airfare), ground transportation, lodging and accommodations, meals and travel agency fees and reasonable and business-related entertainment expenses), and all costs and expenses incurred in connection with the preparation of offering documents, marketing materials,

organizational documents, operating documents and similar materials, the costs of qualifying, reproducing, amending, supplementing, mailing and distributing offering materials and all costs and expenses of any placement agent of the Fund (including, without limitation, travel and ancillary expenses (as further described above) and any payments in respect of any indemnification obligations to any such placement agent that are borne by or reimbursed by the General Partner, the Diversis or their respective affiliates).

In addition, the Funds will pay all costs and expenses relating to its activities and operations (to the extent not reimbursed by a portfolio company), including, without limitation, (i) all costs and out-of-pocket fees and expenses attributable to sourcing, investigating, identifying, analyzing, evaluating, researching, diligencing, pursuing, committing to, acquiring, purchasing, investing, holding, monitoring, managing, seeking disposition opportunities for and disposing of, the Funds' investments (and prospective investments), whether or not consummated, including, without limitation, commitment fees or other lenders' fees that become payable in connection with a proposed portfolio investment, fees and expenses related to negotiating non-disclosure and confidentiality agreements, travel costs and ancillary expenses (including, without limitation, airfare (including business class or first class airfare), ground transportation, lodging and accommodations, meals and travel agency fees and reasonable and business-related entertainment expenses), third-party consulting and deal investigation, sourcing and identification fees and expenses, investment banking, legal and accounting fees and expenses, costs and expenses of any representation and warranty insurance and/or other similar insurance, and printing expenses, (ii) all broken deal expenses, but only to the extent that such fees and expenses exceed topping and break-up fees applied against such expenses, (iii) all legal, accounting, auditing, administrative, custodian, appraisal, consulting, brokerage, service provider and other similar fees and expenses (including, without limitation, courier fees and expenses related to conference calls), all costs, fees and expenses of meetings of Limited Partners, fees of any administrator of the Fund and costs and expenses of the entirety of any D&O and/or E&O liability insurance obtained or other insurance, other out-of-pocket fees, costs and expenses associated with monitoring compliance with the Governing Documents, any side letter agreements and any other agreements related to the Fund and with the preparation and delivery of the Funds' financial statements, tax returns and other tax-related documentation and reports and notices to the Limited Partners, and costs and expenses related to attendance at industry conferences and industry organizations, marketing and advertisements, and asset management software and research and/or market database and/or industry subscriptions or publications and research services attributable to a specific and/or potential portfolio investment or that are otherwise in connection with the Fund's investment strategy and targeted investment opportunities, (iv) expenses of the LPAC (as defined below) incurred in accordance with the Governing Documents and holding meetings thereof, and all costs and expenses of any votes or consents of Limited Partners or the LPAC or any amendments to or waivers of the Governing Documents and/or any related agreement, certain out-of-pocket expenses of the LPAC as described in the applicable Governing Documents, (v) extraordinary expenses, liabilities, indemnities and other obligations of the Funds (including, but not limited to, litigation, audit, investigation and indemnification costs and expenses, judgments, penalties, fines and settlements) and the fees, costs and expenses of complying with applicable law, rules and regulations, (vi) all fees, costs and expenses of maintaining the existence of the Funds and their General Partners, including, without limitation, franchise taxes and partnership registration and registered agent fees and expenses, (vii) all fees, costs and expenses of the wind down of the Funds and their General Partners and the liquidation of the assets of the Funds in connection therewith, (viii) all debt service obligations, including principal, interest, premium, if any, fees, expenses and other amounts payable in respect of indebtedness of the Funds, including,

without limitation, any fees and expenses incurred as a result of the implementation (including negotiation and documentation), utilization and refinancing of any credit facility or other indebtedness or credit support, (ix) all taxes, duties, fees and other governmental charges levied against the Funds and all related filing fees and tax consulting fees and expenses, and (x) out-of-pocket expenses of any Operating Partners in connection with the provision of services related to the Funds and/or one or more of its portfolio companies or prospective portfolio companies.

Diversis and/or its affiliates have received and are expected to continue receiving monitoring, transaction, and other similar fees. A Fund's Management Fee will be offset, or reduced, by all or a portion of such other fees, as provided in the Governing Documents of the applicable Fund. The Management Fee of certain Funds has in the past been, and may in the future be, further reduced, waived or rebated at the sole discretion of Diversis.

Investors that participate in co-investment opportunities ("**Co-Investors**") may be charged certain fees, including Management Fees. However, not all Co-Investors will be charged the same fees, and some Co-Investors have in the past and may in the future be charged fees at more favorable rates. Diversis and its affiliates have in the past and may in the future waive or modify a Co-Investor's obligation to pay the fees at the time of admission of such investor to the co-investment vehicle. Specifically, Diversis expects fees to be waived or reduced for Co-Investors that are Diversis employees and other "friends and family" of the firm, as well as for Co-Investors that are deemed "strategic investors" (as described in Item 11 below). In addition, the Governing Documents of a Fund will govern whether or not the fact that Co-Investors in such Fund are not subject to the fees or carried interest on aggregate co-investment capital commitments alongside such Fund.

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

As described above in Item 5, Diversis or its affiliates receive Carried Interest. Also, certain of Diversis' supervised persons receive compensation that is directly tied to the aggregate performance of the Funds. The fact that a significant portion of Diversis' and certain supervised persons' compensation is directly computed on the basis of profits creates an incentive for Diversis 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. Diversis manages this conflict of interest by ensuring that no single person makes material investment decisions for the Funds. In addition, the General Partners and one or more of the Managing Partners and other principals of Diversis generally maintain interests in the Funds on the same basis as outside Limited Partners (with the exception of Management Fees and Carried Interest, which may be waived); this also serves to alleviate the incentive to engage in riskier or more speculative investments. Additionally, certain of the Funds will form Limited Partner Advisory Committees (the "**LPAC**") that consist of representatives of the Limited Partners appointed by the General Partners.

While an LPAC does not participate in the management of its respective Fund, it may address conflicts of interest and valuation issues and review matters requiring its prior consent or approval, in each case, in accordance with the Governing Documents and perform such other duties as be requested by the General Partners. Actions taken by an LPAC require the consent of a majority of its members. The Funds reimburse the members of their respective LPAC for certain of their reasonable out-of-pocket expenses.

## **Item 7: Types of Clients**

Diversis provides investment management and advisory services to the Funds directly, subject to the direction and control of the affiliated General Partners of the Funds, and not individually to the Limited Partners. Limited Partners in the Funds may include, but are not limited to, institutional investors, fund-of-funds, endowments, family offices, and some high-net-worth individuals. The Funds are exempt from registration under the Investment Company Act of 1940, under Section 3(c)(1) or 3(c)(7) thereof.

The minimum commitment for a Limited Partner is outlined in the Governing Documents; however, the General Partners maintain discretion to accept less than the minimum investment threshold. Limited Partners 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 of 1933 (“**Securities Act**”). Also, details concerning applicable Limited Partner suitability criteria are set forth in the Governing Documents, which are furnished to each Limited Partner, or may otherwise be provided to Diversis at the time of investment.

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

The Diversis portfolio managers conduct a thorough due diligence process with support from the Operating Partners for each deal. Results of such diligence are presented to the Diversis Investment Committee for final review and an investment decision is agreed upon after assessment of the facts presented. Company and industry forecasts are projected via analysis of historical financials/performance, existing management point-of-view, Diversis research, and independent research. Unforeseen circumstances and developments may result in less-than-expected return on investment.

Limited Partners are encouraged to review the Governing Documents for a more complete discussion of Diversis’ investment strategies and the risks associated with an investment in the Funds.

An investment in the Funds involves substantial risks. The risk factors set forth below are not intended to be an exhaustive list of the general or specific risks involved, but merely to identify certain of the risks that are now foreseen by the Funds. Other risks, not now foreseen, might become significant in the future and risks which are now foreseen might affect the Funds to a greater extent than is now foreseen or in a manner not now contemplated. In light of the risk factors discussed below, among others, an investment in the Funds is suitable only for Limited Partners of substantial financial means who have no need for liquidity to the extent of their investment in the Funds and can afford a total loss of their investment. Each Limited Partner should consult his or her own professional advisors as to the legal, tax and related matters concerning an investment in the Funds.

### **Business Risks**

The Funds’ investment portfolios are expected to consist primarily of controlling interests in private companies. Such investments involve a high degree of business and financial risk which can result in substantial losses. The success of the Funds’ investments in general will be subject to a variety of risks, including, without limitation, those related to (i) the quality of the management of the private companies and the ability of such management to successfully operate their companies; (ii) the ability to liquidate the Funds’ interests in these investments; and (iii) general economic

conditions.

The task of identifying investment opportunities in private companies, monitoring, and directing such investments and realizing a significant return for the Funds is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize on such investments successfully. There is no assurance that the General Partners will be able to return contributed capital or generate returns for the Funds. The private equity business is competitive and the Funds and Diversis may compete with other prospective purchasers who have substantial resources and experience in acquiring private companies, potentially jeopardizing returns for the Funds.

#### *Control Investments and Directorships*

The Funds plan to acquire control positions in small and middle-market companies in which it invests. Additionally, officers and employees of the General Partners or the Diversis or the Operating Partners may serve as directors of portfolio companies in which the Funds invest. The exercise of control over a company through a control position, or the service of an officer or employee of the General Partners or the Diversis or the Operating Partners as a director of such company, could (i) expose the assets of the Funds to claims by such company, its security holders and creditors or (ii) impose additional risks of liability for failure to supervise management, violation of governmental regulations and other types of liability in which general limited liability protections are ignored. If these liabilities were to occur, the Funds directly, and the Funds' Limited Partners indirectly, would likely suffer losses with respect to their investments. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may not cover all potential liability of its directors. Such potential liability will likely be covered by the Funds' obligation to indemnify such Fund's representative.

#### *Portfolio Company Risks*

The Funds will be invested in portfolio companies that may be subject to a high degree of business and/or financial risks. The portfolio companies may be distressed or have operating losses or significant variations in operating results, and they may be engaged in a rapidly changing business subject to a substantial risk of competition and/or other significant challenges to their sustained operations and profitability. There can be no assurance that any portfolio company investment made by the Funds will be successful. In addition, a portfolio company may require substantial additional capital to support its operations, to finance expansion and/or to maintain its competitive position or may otherwise have a weak financial condition. Certain portfolio companies in which the Funds invest may face intense competition from larger and/or more experienced companies with greater financial and technical resources, more marketing and service capabilities and/or a greater number of qualified personnel.

#### *No Assurance of Portfolio Company Returns*

While private equity investments in growth companies, highly leveraged companies or newly organized companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The General Partners will generally determine the appropriate capital structure for each portfolio company in which a Fund invests based upon financial projections for that portfolio company. Projected operating results of a portfolio company will normally be based primarily on management judgments. In all

cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed.

#### Competition for Investments

The Funds expect to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial Limited Partners investing directly or through affiliates. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, and more personnel than the General Partners, Diversis, the Funds, and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which Funds' investments can be made. There can be no assurance that the Funds will be able to identify or consummate Funds' investments in portfolio companies satisfying their investment criteria or that such investments will satisfy the Funds' rate of return objectives. Likewise, there can be no assurance that the Funds will be able to realize the values of their investments or be able to invest their committed capital. To the extent that the Funds encounter competition for investments, returns to Limited Partners may decrease.

#### Bridge Financing

From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis in connection with an investment or a potential investment in such portfolio companies by the Funds. Such bridge financing may 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 bridge financing 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.

#### Illiquid Nature of Investments

The Funds' investments in portfolio companies will be highly illiquid and there can be no assurance that the Funds will be able to realize such investments in a timely manner. Consequently, dispositions of such Funds investments may require a lengthy time period or may result in distributions in-kind to the Limited Partners. While a Fund's investment in a portfolio company may be sold at any time, it is not generally expected that this will occur for a number of years after the investment in a portfolio company is made. The Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. The market prices, if any, of such investments tend to be volatile and the Funds may not be able to sell such investments when desired, or, upon sale, to realize what is perceived to be their fair value. In some cases, the Funds may be prohibited by contract from selling certain securities for a period of time. Even where the Funds hold freely tradable publicly-traded securities, a Fund's position may represent a significant portion of the outstanding public float of a particular portfolio company, creating a degree of illiquidity in the event that the Fund changed its investment decision or was unable to acquire control and wished to dispose of or reduce its position in such portfolio company by selling shares into the market.

#### Additional Capital Need

After the Funds make initial investments in portfolio companies, these portfolio companies may require additional funding, or the Funds may have the opportunity to increase their investment in

successful portfolio companies. The General Partners can offer no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds or commitments available to make such investments. Any decision by the Funds not to make follow-on investments may have substantial adverse effects on portfolio companies in need of such investment, may result in missed opportunities for the Funds to increase their participation in successful ventures, or may cause a decrease in the value of the Funds' investments. In addition, to the extent that the Funds make follow-on investments, cash available for distribution to Limited Partners may be reduced.

#### *Borrowings*

The Funds may employ leverage for the purpose of making investments and covering the Funds' expense pending the receipt of capital contributions. The use of leverage creates special risks and may significantly increase the Funds' investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase the Funds' exposure to capital risk. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause investment performance of the Funds to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the investment performance of the Funds may decrease more rapidly than would otherwise be the case.

#### *Portfolio Company Leverage*

The Funds may invest in companies whose capital structures are leveraged. While investments in leveraged companies offer the potential for capital appreciation, such investments also involve a higher degree of risk. The Funds' opportunity investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may increase portfolio company interest expense. If a portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company. While the use of leverage will create opportunities to increase the Funds' returns, it also may increase the Funds' losses. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions such as those described above or a decreased appetite for risk by lenders) may materially impair the Funds' ability to consummate portfolio investments, to make leveraged distributions or to sell investments to buyers who utilize similar leverage strategies. Also, the securities of a portfolio company in which the Funds will invest may be among the most junior in the portfolio company's capital structure and thus subject to the greatest risk of loss.

#### *Valuation of Investments*

The Funds will rely on the General Partners for valuation of their assets and liabilities. The Funds will primarily hold assets that will not have readily accessible market values. The valuation of illiquid assets is inherently subjective and subject to increased risk that the information utilized to value such assets or create pricing models may be inaccurate or subject to error. Due to a wide variety of market factors and the nature of certain assets to be held by the Funds, there can be no guarantee that the values determined by the General Partners will represent the values that will be realized by the Funds upon the disposition of the investment. The amount and timing of Carried Interest received by the General Partners may depend in part on the valuation of the Funds' assets and liabilities.

### Outbreaks of Infectious or Contagious Diseases

There have been a number of outbreaks of infectious disease in recent decades, including SARS, H1N1/09 flu, avian flu, Ebola and a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization has declared a “Public Health Emergency of International Concern.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain markets, including equity, debt, and commodities markets. In response to COVID-19 many governments and business reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in supply chains and economic activity, and have had a particularly adverse impact on transportation, commodities, hospitality, tourism, entertainment, and other industries.

Any public health emergency, including COVID-19 or other existing or new infectious disease, or the threat thereof, could materially and adversely impact the value and performance of investments; Diversis’ ability to source, manage, value and divest investments; and a Fund’s ability to achieve its investment objectives. In addition, the operations of Diversis, the Funds and/or portfolio investments may be significantly impacted, or even temporarily or permanently halted, as a result of actual or potential government-imposed quarantine measures, mandatory, voluntary or precautionary restrictions on travel or meetings, and other factors related to a public health emergency, including the potential adverse impact on the finances, freedom of movement or health of any such entity’s personnel. Any of the foregoing events could result in significant losses. The extent of the impact of any public health emergency will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented (including any government-imposed quarantine measures and any voluntary and precautionary restrictions on travel or meetings), the impact of such public health emergency on overall supply and demand, goods and services, investment liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and markets, all of which are highly uncertain and cannot be predicted.

### Cybersecurity

The Funds, their services providers and Diversis, are subject to risks associated with a breach in their cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. If a cybersecurity breach occurs, Diversis’ Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; investment losses from sabotaged systems; identity theft; wire fraud; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose the Funds and Diversis to civil liability as well as regulatory inquiry and/or action.

### Co-Investments with Third Parties

The Funds may co-invest with third parties Co-Investors 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; may have economic or business interests or goals 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 those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and the Funds. Additionally, allocating a portion of the Funds' proposed or existing investments to Co-Investors involves certain conflicts of interest.

#### Side Letters and Other Agreements with Clients and Limited Partners.

The General Partners of the Funds, to the fullest extent permitted by the Governing Documents and applicable law, may have the absolute discretion to enter into separate agreements with certain Limited Partners, such as those affiliated with Diversis or those deemed to involve a significant or strategic relationship, which include terms which are not available to existing Limited Partners. In such cases, the parties will enter into a written side letter to: (i) waive or modify the terms, conditions and/or application of any provision of the offering terms; or (ii) allow such Limited Partners to invest on different terms than those specifically described in the relevant Governing Documents (including, without limitation, with respect to fees, liquidity or type of information provided to such Limited Partners concerning the Funds), in each case without obtaining the consent of any other Limited Partner. Under certain circumstances, these agreements could create preferences or priorities for such Limited Partners with respect to other Limited Partners of the Funds.

#### Counterparty Risk.

The Funds will be subject to the credit risk of the counterparties engaged by such Fund, which include but are not limited to banks, custodians and broker-dealers. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the contract in a bankruptcy or other reorganization proceeding. A Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. Concerns about, or a default by, one large market participant could lead to significant liquidity problems for other participants. If a counterparty's credit becomes significantly impaired, multiple requests to post collateral in a short period of time could increase the risk that a Fund may not receive adequate collateral. However, there can be no assurance that any counterparty will satisfy its obligations to a Fund.

### **Item 9: Disciplinary Information**

Diversis and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an evaluation of the company or its personnel.

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

The Adviser is affiliated with the Relying Adviser, as disclosed on Schedule R of Form ADV Part 1A. The Relying Adviser operates as a single advisory business together with the Adviser and serves as an investment adviser to the Legacy Funds and generally shares common owners, officers, partners, employees and/or persons occupying similar positions. The Adviser is also affiliated with the General Partners of the Funds for which it serves as investment adviser.

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

Diversis has adopted a written code of ethics (the “**Code**”) that is applicable to all employees and consultants with ongoing access to confidential information, as well as their family members living in the same household (“**Access Persons**”). Among other things, the Code requires Diversis and such employees and consultants to act in the Funds’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and periodically report trades and holdings of securities. A copy of the Code is available upon request by using the contact information listed on the cover of this brochure.

Diversis maintains a restricted list of public securities for which Diversis has received material non-public information during the past 2 years. All Access Persons are forbidden from trading such securities or any derivatives thereof. Access Persons may maintain holdings of such securities within managed accounts over which they do not have discretion or in accounts controlled by independent, third-party asset managers.

## **Item 12: Brokerage Practices**

Diversis invests the Funds’ assets almost exclusively in equity investments in small and middle-market private companies. From time-to-time, Diversis engages financial intermediaries in connection with securities transactions for the Funds. When it does so, Diversis will consider a range of applicable factors (depending on the securities transaction) when retaining broker-dealers or other intermediaries for the purpose of completing said transactions. Factors assessed include expertise and background, the nature and size of the transaction, the reputation of the counterparty, settlement capabilities, time required to complete the transaction, and whether arrangements relating to overall performance are in the best interest of the Funds.

In conducting such brokered transactions, Diversis will seek to obtain best execution. Employees involved in securities transactions on behalf of the Funds will consider at the time of such transactions local market compensation for and the scope of services provided by financial intermediaries if such intermediaries are used. The Chief Compliance Officer (“**CCO**”) will review brokered securities transactions, if any, affected on behalf of the Funds in order to attempt to assess whether the fees paid by the Funds are reasonable in light of the services received. Diversis does not participate in any soft dollar arrangements, and it does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with the Funds’ securities transaction, if any.

## **Item 13: Review of Accounts**

The General Partners for the Funds have ultimate responsibility for all investment decisions and will continuously review each Fund on an ad hoc basis. In addition, the Chief Financial Officer will review the Funds’ investment activities periodically to ensure compliance with investment objectives and any investment restrictions set forth in the Governing Documents.

Limited Partners will receive annual audited financial statements for the Funds. Also, Limited Partners will receive information necessary for the preparation of tax returns, as necessary.

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

Diversis or its related persons engage third-party placement agents (e.g., solicitors) to introduce prospective Limited Partners to the Funds. Diversis will seek to comply with Rule 206(4)-1 under the Advisers Act to the extent the rule is applicable to the use of placement agents by pooled investment vehicles such as the Funds.

Portfolio companies controlled by a Fund may provide services to certain other portfolio companies. The Adviser may have an incentive to cause the portfolio company to favor other portfolio companies relative to other clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund.

Related persons of Diversis have and may from time to time be established to provide non-investment advisory services to portfolio companies, the Funds or Diversis itself.

#### **Item 15: Custody**

Diversis has access to client accounts (i.e., the Funds) because affiliates serve as the General Partners of the Funds. Limited Partners will not receive statements from any custodian. Instead, the Funds are subject to an annual audit 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 Limited Partners. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

#### **Item 16: Investment Discretion**

In addition to the General Partners, Diversis also has investment discretion over the Funds' assets, in accordance with the Governing Documents, which may set forth certain limitations with respect to the management of the Funds and the activities of Diversis. Limited Partners may enter into side letters with Diversis, as described in Item 8, which may also have the effect of limiting certain of Diversis' activities.

#### **Item 17: Voting Client Securities**

Diversis invests the Funds' assets generally in privately-issued securities of small and middle market companies. Voting is generally not applicable for these types of investments. However, if applicable, Diversis may periodically exercise voting authority with respect to securities held by the Funds. In those instances, Diversis will vote in the best interest of the Funds and in accordance with its fiduciary duty to the Funds. If there is an actual or potential material conflict of interest in connection with a prospective vote, such conflict will be resolved in accordance with the Governing Documents and Diversis' policies and procedures. Diversis will not neglect its voting responsibilities, but Diversis may abstain from voting in any instance if it deems that such abstention is in the Funds' best interests. Diversis will determine on a case-by-case basis whether the Funds will participate in class actions. Limited Partners cannot direct Diversis' proxy votes, however, they can obtain information on how Diversis voted by contacting the CCO. They can also obtain a copy of Diversis' proxy voting and class action policies and procedures by contacting the CCO using the information on the cover page of this brochure.

**Item 18: Financial Information**

Diversis has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds.