**Operational Due Diligence Supplement**

## Fund Status

* 1. **Current GP Commitment ($): Cash/Deferred Fees: As of:**
	2. **Total closed LP commitments ($): As of:**
	3. **Does any single investor own 50% or more of the Fund’s interests:**
	4. **Amount of capital called from LPs ($/%):** $ **% As of:**
	5. **Amount of capital paid-in and invested ($/%):** $ **% As of:**
	6. **Number of Investments (#/Cost Basis/FMV):** # Deals; $Cost Basis; **As of:**
	7. **What is the fund held at on a TVPI and DPI basis:**
	8. **Catch-up rate for post 1st close LPs**
		1. **Provide breakdown of estimated interest charge + called capital for $10M new LP commitment at next/final close:**

## Closing Schedule

* 1. **First Close:**
	2. **Next Close:**
	3. **Number of subsequent closes:**
	4. **Expected final close:**

## Fund Terms & Structure

**Investment Advisor:**

**General Partner:**

1. **Vehicles (domicile):**
2. **Eligible Investor Requirements:**
3. **Target Fund Size ($):**
4. **Target LP Commitments ($):**
5. **Target GP Commitment at Final Close ($)**
6. **Hard-Cap Fund Size ($):**
7. **Investment Period (# yrs):**
	1. **Commencement (First/Final Close Date or Date of Initial Capital Call):**
8. **Harvest Period (# yrs):**
9. **Fund Term (# yrs):**
10. **Number of Extensions (#/length):**
	1. **Extension(s) at the discretion of GP, LPs, or both:**
11. **Minimum commitment:**
	1. ***Will the General Partner accept a lower amount:***
12. **Are there investment limitations. If yes, please provide details:**
13. **Is there a reinvestment or recycling provision. If yes, please provide details:**
14. **How does he Fund intend to limit U.S. tax-exempt investors from exposure to UBTI:**
	1. **Is there a UBTI blocker structure in-place for tax-exempt limited partners:**
15. **Is there a parallel ERISA fund:**
	1. **If not, will the Fund operate as a VCOC or REOC:**
	2. **If not, will the Fund operate as a QPAM:**
16. **If the Fund intends to rely on the “fraction rule”, does it have structures in place that will limit UBTI exposure for U.S. tax-exempt entities that are not “qualified organizations” (e.g. non-educational foundations/endowments, welfare plans, labor organizations, etc.):**

## Fund Finance

1. **Transaction-level and/or fund-level financing parameters (N/A for types not utilized)**
	1. **Prior Fund**
		1. ***Utilization parameters:***
		2. ***Average leverage/financing as % of NAV over fund term:***
		3. ***Max leverage/financing as % of NAV***
	2. **Current Fund**
		1. ***Utilization parameters:***
		2. ***Anticipated average leverage/financing as % of NAV over fund life:***
		3. ***Changes to current fund’s borrowing capabilities vs. prior fund***
		4. ***Max leverage/financing as % of NAV***
	3. **Has LP capital ever been called to de-lever any fund or SPV/transaction-level financing**:
2. **Prior Fund Credit Facility Type(s)**
	1. **Committed**
		1. ***LTV:***
		2. ***Term:***
		3. ***Cumulative Time Facility Utilized (months):***
		4. ***Average/Median Per Deal Draw:a***
		5. ***Covenants:***
	2. **NAV**
		1. ***LTV:***
		2. ***Term:***
		3. ***Cumulative Time Facility Utilized (months):***
		4. ***Average/Median Per Deal Draw:***
		5. ***Covenants***:
	3. **Hybrid**
		1. ***LTV:***
		2. ***Term:***
		3. ***Cumulative Time Facility Utilized (months):***
		4. ***Average/Median Per Deal Draw:***
		5. ***Covenants:***
	4. **Distribution Accelerator/Distribution Recaps**
		1. ***LTV:***
		2. ***Term:***
		3. ***Cumulative Time Facility Utilized (months):***
		4. ***Average/Median Per Deal Draw:***
		5. ***Covenants:***
	5. **Asset-Backed Loans**
		1. ***LTV:***
		2. ***Term:***
		3. ***Cumulative Time Facility Utilized (months):***
		4. ***Average/Median Per Deal Draw:***
		5. ***Covenants:***
	6. **Deferred Purchase Price Financing (Seller Finance)**
		1. ***Utilization - % of*** ***deals***
		2. ***Total cost basis of Deferral deals (inclusive of deferral) ($):***
		3. ***Total cost basis deferred ($):***
		4. ***Average/median length (months):***
		5. ***Average/median purchase price % difference vs. all cash offer:***
		6. ***Have equity cures been required to date:***
3. **Current Fund Credit Facility Type(s)**
	1. **Committed**
		1. ***Facility Provider(s): LTV:***
		2. ***Term:***
		3. ***Payment schedule (30, 60, 90, 180 days, etc.):***
		4. ***Cumulative Time Facility Utilized (months):***
		5. ***Average/Median Per Deal Draw:a***
		6. ***Covenants:***
	2. **NAV**
		1. ***LTV:***
		2. ***Term:***
		3. ***Payment schedule (30, 60, 90, 180 days, etc.):***
		4. ***Cumulative Time Facility Utilized (months):***
		5. ***Average/Median Per Deal Draw:***
		6. ***Covenants:***
	3. **Hybrid**
		1. ***LTV:***
		2. ***Term:***
		3. ***Payment schedule (30, 60, 90, 180 days, etc.):***
		4. ***Cumulative Time Facility Utilized (months):***
		5. ***Average/Median Per Deal Draw:***
		6. ***Covenants:***
	4. **Distribution Accelerator/Distribution Recaps**
		1. ***LTV:***
		2. ***Term:***
		3. ***Payment schedule (30, 60, 90, 180 days, etc.):***
		4. ***Cumulative Time Facility Utilized (months):***
		5. ***Average/Median Per Deal Draw:***
		6. ***Covenants:***
	5. **Asset-Backed Loans**
		1. ***LTV:***
		2. ***Term:***
		3. ***Payment schedule (30, 60, 90, 180 days, etc.):***
		4. ***Cumulative Time Facility Utilized (months):***
		5. ***Average/Median Per Deal Draw:***
		6. ***Covenants:***
	6. **Deferred Purchase Price Financing (Seller Finance)**
		1. ***Utilization - % of*** ***deals***
		2. ***Total cost basis of Deferral deals (inclusive of deferral) ($):***
		3. ***Total cost basis deferred ($):***
		4. ***Average/median length (months):***
		5. ***Average/median purchase price % difference vs. all cash offer:***
		6. ***Have equity cures been required to date:***

## General Partner

1. **Please describe the General Partner’s investment in the Fund:**
	* 1. ***Will commitment be paid in cash, fee-offset, or combination:***
		2. ***If commitment will come mostly from individual team members, please provide breakdown of participation by individual:***
2. **Is there a Key Person Provision? Please provide details:**
3. **How is the General Partner carried interest split among its Managing Members, Members, members and any other members, partners, or employees of the investment advisor or any affiliated entities/individuals:**
4. **Total aggregate General Partnerships’ commit to all prior funds**
5. **Total aggregate General Partnerships’ unfunded commitments to all prior funds:**
6. **Have any prior committed and paid-in and/or unfunded commitments been financed (deferred fees, borrowings, minority sale, etc.):**

## Management Fee & Fund Expenses

1. **Headline management fee schedule:**
2. **Negotiated Segal Marco Advisors fee schedule (if applicable):**
3. **What expenses are paid out of management fees:**
4. **Management fee offset provisions (Y/N):**
	1. ***If yes, provide offset amount (%) and any limits and/or parameters:***
	2. ***If yes, provide last two fund’s average calendar year offset amount (%):***
5. **Investment Period - Committed or Invested (Gross or Net):**
6. **Investment Period Fee Rate (%):**
7. **Harvest Period - Committed or Invested (Gross or Net):**
8. **Harvest Period Fee Rate (%):**
9. **Estimated average annual management fee over the life of the fund:**
10. **Does the Fund pay any affiliated entities or individuals not employed by the investment advisor for advisory, board member representation, portfolio company management and/or operational support for the Fund or any of its portfolio companies**
11. **Multi-manager funds only – Total FoF Expense Ratio Estimates**
	1. **Please provide estimated annual fees as follows:**

|  |  |  |
| --- | --- | --- |
| **Fee Breakout** | **Est. Fees Per Annum.** | **Est. Total Fund Term** |
| **PEFoF Mgt. & Carried Interest Fees (stated term, no extensions included)** | **0.0%** | **0.0%** |
| **Total Underlying Mgt. & Carried Interest Fees** | **0.0%** | **0.0%** |
| **Total PEFoF Mgt. & Carried Interest (sum of prior two rows)** | **0.0%** | **0.0%** |

## Carried Interest

1. **Waterfall Type (American, European):**
2. **Carried Interest Rate & Preferred Return Rate (%):**
3. **Preferred Return Rate (%):**
4. **Preferred Return Calculation (Compounded/Non-Compounded):**
5. **Preferred Return Calculation (Cumulative/Non-Cumulative):**
6. **Catch-up rate:**
7. **Clawback provision:**
8. **Does preferred return and/or carried interest waterfall calculation commence with the first capital draw from fund credit facility or actual capital draw from limited partners:**

## Third-Party Service Providers

1. **Is the Firm using a Placement Agent to raise capital for the Fund? If yes, please provide fee arrangement details:**
2. **How will these fees be paid (ie. Out of Fund expenses, management fees, etc.)**
3. **Will any placement fees be paid in connection with Segal Marco Advisor’s client(s) commitments:**
4. **Who is the Fund’s auditor? Is the auditor registered with the Public Company Accounting Oversight Board:**
5. **Who is the Fund’s custodian and is it considered a “qualified custodian”:**
6. **IT & Cyber Security:**
7. **Tax:**
8. **Fund/GP/Investment Advisor Counsel(s):**
9. **Please provide Fiduciary Liability and other relevant insurance coverage (E&O, D&O, etc.):**

## Legal

1. **Does the Fund hold/intend to hold “plan assets” within the meaning of 29 CFR § 2510.3, the "Plan Assets Regulation”?**
	1. ***If yes:***
		1. ***Does the manager/general partner fulfill the requirements of an ERISA § 3(38) investment manager:***
		2. ***Is the manager/general partner a QPAM:***
		3. ***Does the manager/general partner maintain fiduciary liability insurance and a fidelity bond:***
	2. ***If no:***
		1. ***What is the basis for not holding plan assets:***
		2. ***What actions will be taken in the event the Fund holds plan assets:***
2. **Does the Fund permit side letters? If yes, can the Fund provide redacted copies of previously negotiated side letters/sample side letter provisions:**
3. **Are limited partners required to execute documentation in connection with the establishment of any time of fund-related credit or subscription facility:**
4. **What documentation is required for AML purposes?**
5. ***Are pension plan participants and beneficiaries excluded from AML representations:***
6. ***In the case of multi-employer and/or Taft Hartley plans, are the plan’s contributing employers excluded from the AML representations:***

## Compliance

1. **Describe the structure and reporting line of your Compliance Department. Who are the key personnel (please provide departmental chart):**
2. **Please describe what formalized compliance resources, policies, and procedures you have in place:**
3. **Does firm have a written procedure manual/employee handbook? Are employees required to read and sign the material? What training procedures are in place to communicate compliance policies with staff:**
4. **What regulatory authorities has your compliance department interacted with? When was the last regulatory audit? What were the results of that audit:**
5. **Have there ever been any regulatory actions taken against the firm or its principals? If so, please describe:**
6. **Is there any pending litigation against the firm? If so, please describe:**

## Operations Infrastructure & Fund Administration

1. **Describe the structure and reporting line of the Operations Department (please provide departmental chart):**
2. **What operational systems does your firm use to manage accounts:**
3. **How, and with what frequency, does your firm monitor adherence to client guidelines established in side letters and/or separately managed accounts, if applicable:**
4. **How does your firm reconcile accounts and trades with third party service providers:**
5. **Please provide your firm’s security pricing, proxy voting, and disaster recovery policies and procedures:**
6. **Has the firm experienced any cybersecurity breaches? If so, what measures were taken to rectify them:**
7. **What cybersecurity protocols are currently in place:**
8. **Please provide a list of individuals who have access to and/or are involved with cash management:**
9. **Please outline how the cash is managed from the LP to the investment and as a distribution from an investment back to the fund and ultimately limited partners:**
	1. ***Please include details and names of the individuals responsible for the following cash flow activities:***
	2. ***How often is the cash account reconciled and who is responsible:***
	3. ***Is the reconciliation reviewed by another person:***
	4. ***Do the employees who reconcile the cash have access to the checks, sign them and/or handle cash/bank deposits:***
	5. ***How many signature are required on a check/wire/other custodial transaction:***
	6. ***Names of Authorized signatories:***
	7. ***Who initiates wires:***
	8. ***Are approvals required when sending wires? If so, who are the individuals that approve the wires:***
	9. ***Do the employees who initiate the wires reconcile cash and/or handle cash/bank deposits:***
	10. ***How are cash and stock distributions processed:***
	11. ***Process for determining who much money needs to be called from limited partners. If not all the cash called is used, where will it be held and/or will it be returned to the limited partners:***

## Workforce Labor

1. **Does the Firm, its General Partners, or Investment Team members have outstanding litigation? Potential litigation or headline risk stemming from current or prior portfolio companies:**
2. **Please provide a description of the Firm’s views and/or philosophy on workforce labor, in the context of its investment objectives, strategy, and operational processes:**
	1. ***Does the Firm have any history of union employment:***
	2. ***History of workforce related conflicts:***
	3. ***Is employee count often rationalized as part of the Firm’s investment process? If applicable, how are large work force reduction efforts handled by the Firm:***
3. **How is labor incorporated to the Firm’s due diligence process for portfolio companies and/or part of the platform buy-and-build strategy:**
	1. ***Is labor force reduction/expansion always part of the blueprint or 100-day plan:***
4. **For the applicable sectors the Firm invests, are any labor force safety standards, policies, and procedures required to be in place prior to investing in a company:**
	1. ***Are any implemented after an investment as part of operational value-add:***
	2. ***Have there ever been any safety record issues in current or prior companies owned by the General Partner in the current Firm or during their tenure at other firms:***
5. **Does the Firm utilize Responsible Contractor Policies, either directly or implemented through portfolio companies? Is there a firm wide standing RCP template:**

## Document Request – Please Provide the Following

Forms ADV I & II

SAS 70 (if completed)

Qualified opinion on audited performance of strategies

GIPS verification letter (if independently verified)

Copy of SEC Investment Adviser Examination letter or comments on exam findings

Policies & procedures manual (including personal trading policies, code of ethics, disaster recover details, business continuity plan, valuation policy, etc.)

RCPs as applicable

Fund Limited Partnership Agreement (current version)

Fund Limited Partnership Agreement (black-lined version from the previous fund)

Private Placement Memorandum (PPM) of the Fund

PPM and Limited Partnership Agreement of the previous fund

Annual General Meeting materials for last 2 years

Firm’s most recent regulatory body registration/disclosure form (e.g. Form ADV)

The Partnership Agreement of the GP

All audited annual & unaudited quarterly reporting packages sent to limited partners for each active prior fund

The audited financial statements of the Firm for the last 3 years

Examples of capital call and distribution notices

The Investment Advisory Agreement between the Fund and the General Partner

Presentation materials and minutes of all LP Advisory Board meetings held over the last 2 years

Completed due diligence report/investment recommendation for two recent investments

Chart: Firm ownership structure

Chart: Firm management/organizational structure

Firm & fund budget

Chart: Fund legal/tax structure

List of LPs from the most recent fund that are not re-upping

List of LP secondary sales

List of the Fund’s LP Advisory Board Members

Working example of the most recent fund’s distribution waterfall, noting any variations from the expected calculations for the Fund