

WARBURG PINCUS

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March 27, 2015

This brochure provides information about the qualifications and business practices of Warburg Pincus LLC (the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 878-0600. The information in this brochure has not been verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Although the Firm is registered as an investment adviser with the SEC, registration does not imply a certain level of skill or training.

Additional information about Warburg Pincus LLC is available at www.warburgpincus.com and the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

The Firm's business activities have not changed materially since the last filing of this brochure on March 25, 2014.

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Item 4. Advisory Business

Warburg Pincus LLC, a New York limited liability company, together with its affiliates (hereinafter collectively referred to as “Warburg Pincus”, the “Firm”, “we”, “us” or “our”) is a global private equity investment firm. We provide investment advisory services to pooled investment vehicles referred to in this brochure as “Funds” or “Clients”.

Founded in 1966, Warburg Pincus is one of the oldest and most established private equity firms in the world. We are headquartered in New York, with 10 additional offices around the world.

The Managing Directors of our Firm are our principal owners. No person owns more than 25% of the Firm.

Warburg Pincus affiliates serve as advisers, sponsors, general partners and/or managers of our Funds. Interests in our Funds are privately offered to qualified investors from time to time. Along with our own capital commitments to our Funds, we invest third party investors’ capital contributions to our Funds on a discretionary basis, primarily through private equity investments made by our Funds into operating businesses.

Our Funds are generally offered on the basis of a diversified private equity investment strategy rather than to meet individual objectives of investors. The Firm has also offered in the past, and may offer in the future, sector or geographically focused companion funds to co-invest in parallel with a global fund in certain subsets of investment opportunities. Our Funds’ governing documents establish discretionary authority for us to manage the investment and other day-to-day activities of the Funds, although certain limits on investments such as concentration limits and geographic sub-limits may be established on a Fund-specific basis. Our investment advisory business consists of identifying and selecting investment opportunities for our Funds, and participating in the acquisition, management, monitoring and ultimate disposition of our Funds’ investments.

Since its founding, the Firm has followed a growth-oriented investment strategy. We seek to make thesis-driven venture capital, growth-stage, later-stage and buyout and special situations investments in companies across a variety of business sectors and geographic regions to maximize long-term investment returns for our Funds. Our Executive Management Group coordinates the investment advisory business of the Firm on a global basis, led by the Firm’s two Co-Chief Executive Officers, Charles R. Kaye and Joseph P. Landy.

We select companies for investment after conducting due diligence and developing a detailed investment thesis. As a fundamental aspect of our investment advisory strategy, we typically take an active role on the boards of our portfolio companies – either by designating our employees or, as deemed appropriate, through non-Warburg Pincus designees – providing assistance in developing and executing their strategic plans and realizing our investment thesis. We invest in privately-held and publicly-traded companies. Our investment professionals are specialized by the following core sectors of industry: Energy; Financial Services; Healthcare & Consumer; Industrial & Business Services; and Technology/Media/Telecommunications, with numerous related sub-sectors of specialization. We also may focus on real estate in certain countries where we believe real estate may represent an attractive investment opportunity.

Our primary active private equity funds are:

Warburg Pincus Energy, L.P., a companion energy fund established in 2013.

Warburg Pincus Private Equity XI, L.P., a global private equity fund established in 2012.

Warburg Pincus Private Equity X, L.P., a global private equity fund established in 2007.

Warburg Pincus Private Equity IX, L.P., a global private equity fund established in 2005.

Warburg Pincus Private Equity VIII, L.P., a global private equity fund established in 2001.

Warburg Pincus International Partners, L.P., a private equity fund established in 2000 that invested outside the U.S.

Warburg Pincus also manages a portfolio of real estate and real estate-related investments through a global real estate fund organized in 2006, Warburg Pincus Real Estate I, L.P., which was formed to pursue certain real estate opportunities in Asia, Europe and the United States that had a different risk/reward profile than the private equity investments the Firm generally pursues.

The Firm generally has discretion to establish co-investment vehicles and managed accounts for investors, subject to the provisions of Fund governing documents (See Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading, Co-Investments for more information).

As of December 31, 2014, Warburg Pincus manages approximately \$28.9 billion of assets on behalf of the Funds on a discretionary basis, excluding undrawn capital commitments, and no assets on a non-discretionary basis.

Item 5. Fees and Compensation

Management Fees, Carried Interest

We receive management fees – deducted in computing Fund profits – paid to us by the Funds quarterly in advance. As is customary in the private equity industry, our affiliates that act as general partners of our Funds receive an allocation of profits, or “carried interest”.

The management fees and carried interest that we or our affiliates receive from our Funds are predetermined in written agreements among Warburg Pincus, our affiliates and our Funds. Generally, management fees are a percentage of a Fund’s capital commitments, converting after a designated investment period to a percentage of the cost of the remaining assets and decreasing in the later years of the Fund. Management fee percentages generally range from 1.5% to 1.0% per annum. Generally, the affiliated general partner of our Funds will receive carried interest equal to 20% of the net profits of a Fund.

We call capital from our Funds as needed to fund investments, cover expenses and pay management fees. Management fees payable may also be deducted from proceeds from investment realizations. In the event an investment management agreement or a Fund itself would be terminated, any pre-paid fees would be reimbursed to the Fund pro rata based on the portion of the quarter (or other period) for which fees were paid but for which services were not rendered.

Warburg Pincus generally does not charge investment banking fees or other transaction fees, such as sponsor, advisory or monitoring fees, nor does it charge fees for any other services provided to its portfolio companies. In

the limited circumstances in which the firm may receive such a fee – such as when a co-investor in the transaction receives a fee – any such fee received by Warburg Pincus from a portfolio company is applied 100% to offset the management fee payable by the relevant Fund or is otherwise allocated to the relevant Fund. Fees paid to our employees for service as directors of portfolio companies are also applied 100% to offset the management fee or are otherwise allocated to the relevant Fund. A portion of such directors' fees are typically paid in non-cash form (such as stock or options). The Firm seeks to take commercially reasonable steps to realize the value of non-cash directors' fees and will apply any realized value to reduce management fees. Such securities are subject to fluctuations in value over time, and may lose some or all value pending any realization, in which case any management fee offset or other allocation to the relevant Fund would be less. When determining directors of portfolio companies, the Firm in some situations designates a non-Warburg Pincus employee who has specific skills and experience that would benefit the portfolio company. In such situations, the non-Warburg Pincus employee is generally entitled to retain any compensation received as a director of the portfolio company and such amounts are generally not applied to offset management fee or otherwise allocated to the applicable Fund. As such, when determining directors for portfolio companies, the Firm seeks to maximize the long-term value of the investment, not the amount of the management fee offset. In addition, we may engage certain personnel to perform jurisdiction-specific administrative functions at one or more registered or administrative offices in a non-U.S. jurisdiction in connection with one or more investments in such jurisdiction, and any directors' fees paid to such personnel will not offset the Management Fee.

Management fees pay for our overhead, including certain expenses relating to investments that we pursue for our Funds but do not consummate. The Funds are responsible for their organizational expenses and most other administrative and transaction expenses associated with their operations and investment activities, as described below. Some of these types of expenses will be incurred by the Funds for investments that we pursue for our Funds but are not consummated.

The Firm's management fees and carried interest are generally not negotiable, although Warburg Pincus may, in its sole discretion, reduce or waive management fees and carried interest with respect to a particular Fund, investor or co-investor. Additionally, limited partners in certain Funds who have committed above certain thresholds pay a reduced management fee.

Fund Expenses

A Fund will bear all of its own professional and direct operating expenses, including, without limitation, (i) the Management Fee, (ii) reasonable fees and expenses of attorneys, advisors, accountants, auditors, consultants, appraisers, administrators, finders, experts and other professionals retained by a Fund or by the Firm or its affiliates on behalf of a Fund, (iii) expenses for depositary, banking, safekeeping and custodial services, (iv) expenses associated with the preparation of a Fund's financial statements, tax returns and Schedules K-1, (v) principal, interest and any fees and expenses in connection with any borrowing or guarantee or other credit support or hedging activity permitted pursuant to a Fund's governing documents, (vi) expenses of any Advisory Committee, any Valuation Committee and any technical advisory board established by a Fund, (vii) taxes and other governmental charges, fees and duties payable by a Fund to federal, state, local and other governmental agencies other than with respect to taxes on investments, (viii) fees, costs and expenses incurred by a Fund, the General Partner or any other Warburg Pincus professional in connection with the annual meetings and any other meetings of the Fund investors, (ix) fees, costs and expenses of reporting to investors on Fund or portfolio company-related matters and any other Fund-specific reporting, notification or other filing obligations (including

the preparation and filing of Form PF, filings required under the Securities Exchange Act of 1934, as amended (including, without limitation, Form 13F, Form 13H, Section 16 filings, Schedule 13D filings and Schedule 13G filings), any forms, schedules, reports, filings, information or other documents prepared with respect to the U.S. Foreign Account Tax Compliance Act and any comparable non-U.S. filings, and reports to be filed with the Commodities Futures Trading Commission), as well as software, hardware, technology and systems development and implementation costs related to each of the foregoing, (x) legal, regulatory and compliance expenses, including a Fund's compliance with the E.U. Alternative Investment Fund Managers Directive and all fees, costs and expenses incurred in connection with the organization, management, operation and dissolution, liquidation and final winding up of any alternative investment vehicles), (xi) litigation expenses, including damages, settlements, and/or reimbursement obligations, (xii) indemnification and advancement payments and expenses, (xiii) premiums for insurance protecting a Fund and any indemnified persons in connection with the affairs of a Fund, (xiv) organizational expenses in connection with establishing a Fund (subject to any cap), and (xv) expenses incurred in connection with winding up and liquidating a Fund. To the extent not included in the foregoing, a Fund will also bear all reasonable out-of-pocket expenses directly related to all proposed or prospective or consummated investments and the investigating, structuring, holding, monitoring, assistance, maintenance and disposition thereof (whether or not consummated and including any such expenses incurred by any acquisition, holding or alternative investment vehicle formed to facilitate or finance Fund investments) including, without limitation, (a) all reasonable professional fees and expenses, such as those for attorneys, advisors, accountants, auditors, Executives/Entrepreneurs-in-residence, consultants, appraisers, experts, finders, investment bankers and other professionals or custodians, (b) due diligence expenses, (c) research expenses related to portfolio companies or prospective portfolio companies, including costs of attendance and/or sponsorship of industry conferences, (d) brokerage commissions and fees and other investment costs incurred by or on behalf of a Fund, (e) travel and related (such as food and lodging) and entertainment expenses (which may include travel expenses for the use of private aircraft, first class or business travel) but excluding certain travel and entertainment expenses for transactions not consummated as set forth in a Fund's governing documents, (f) transfer taxes and costs related to the registration or qualification for sale of securities, (g) insurance expenses, (h) custodial and safekeeping expenses, (i) any reverse break up or similar fees or expenses, or liabilities incurred by a Fund or any acquisition vehicle on behalf of a Fund in connection with investments not consummated by a Fund, (j) any other out-of-pocket expenses in connection with the investigation, acquisition, monitoring, holding, assistance, maintenance or disposition of investments, in each case to the extent not paid for by the portfolio company or prospective portfolio company and (k) costs and expenses of the type described in (ix)-(xiii) above, to the extent not borne by a portfolio company. Fund expenses will be deducted in computing net profits.

Consultants

The Firm utilizes a number of consultants (e.g., industry and technical advisors and Executive/Entrepreneurs-in-Residence) who are not employees of the Firm, but are paid fees for services provided to the Firm, the Funds and/or the Funds' portfolio companies (a "Consultant"). The terms of engagement, including the compensation arrangements for Consultants are generally agreed between the Consultant and the Firm (or one of its affiliates) at the time of engagement. Each such engagement is negotiated individually, depends upon anticipated advisory services, and may differ as between different individuals. The fees and expenses associated with Consultants are generally allocated to the Fund that is the recipient or beneficiary of the services provided and are generally not paid for out of the management fee paid to the Firm by the Funds. Consultants may receive compensation arrangements comprised of one or more of the following: (i) a periodic fee, (ii) a discretionary performance-

related bonus and (iii) grants of equity or co-investment opportunities in the portfolio companies in which they play a significant role. Consultants are also entitled to reimbursement for reasonable expenses incurred while providing services to the Firm, the Funds or the Funds' portfolio companies. Consultants may also serve on the boards of directors of portfolio companies and may otherwise serve directly as consultants to portfolio companies and may receive directors' fees, consulting fees and other compensation in connection therewith from portfolio companies. In most cases, such compensation may be retained by the Consultant and is not offset against management fees otherwise payable by the Funds. Consultants are not employees, however, some may be granted titles such as Executive/Entrepreneur-in-Residence, Industry Advisor or Senior Advisor for reasons relating to business objectives, market and cultural perceptions and social considerations. Such titles are not intended to be prescriptive for purposes of allocating expenses as between the Firm and the Funds. The Firm has adopted policies and procedures addressing internal approvals, whether particular Consultants should be subject to the Firm's Code of Ethics, restrictions to access to Firm information and allocation of fees of and expenses related to Consultants.

Special Limited Partners

The Firm has created a special designation – Special Limited Partner – for certain former partners of the Firm who will continue to have a relationship with the Firm. Special Limited Partners are designated by the Co-Chief Executive Officers. Special Limited Partners are not partners or employees of Warburg Pincus, nor are they consultants. They are not compensated by the Firm and do not accrue carried interest. A Special Limited Partner may receive certain perquisites and privileges from the Firm in recognition of their special contribution to the Firm during their tenure as a partner of the Firm and during their continuing relationship. A Special Limited Partner may be eligible to co-invest in a specific portfolio company where the Special Limited Partner has been significantly involved or demonstrated significant value-add to the investment. Further, a Special Limited Partner may be eligible to invest in a Warburg Pincus sponsored fund on a no fee, no carry basis.

Separately, the Firm may designate a Special Limited Partner to the board of directors of a portfolio company when the Special Limited Partner has specific skills or experience that would benefit the portfolio company. In such circumstances, any fees paid by the portfolio company to the Special Limited Partner may be retained by the Special Limited Partner and are generally not applied to offset the management fees due from the respective Fund.

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

As discussed in Item 5 above, Warburg Pincus, through its general partner affiliates, typically receives a carried interest equal to 20% of the net profits of the Funds it manages. The Firm may form parallel or co-investment vehicles to facilitate investments in or alongside the Funds, with or without fees or carried interest, by its partners and employees as well as by other individuals. The Firm may also, in its sole discretion, provide co-investment opportunities, with or without fees or carried interest, to limited partners or third parties for a variety of strategic reasons relating to our investment advisory business (see Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading, Co-Investments for more information).

The Firm has also offered in the past, and may offer in the future, sector or geographically focused companion Funds to co-invest in parallel with a global Fund in certain subsets of investment opportunities. The allocation of investment opportunities as between a global Fund and a companion Fund, if applicable, would be subject to

guidelines and restrictions set forth in each Fund’s governing documents and as determined by Warburg Pincus in good faith after taking into account a number of factors, including but not limited to, the portfolio diversification of a global Fund.

Funds may pay varying management fees and carried interest at various stages in their timeline and based on the outcome of the investments it has made. The Firm may have an incentive to allocate more time, resources or investment opportunities to Funds that pay higher management fees and carried interest. The Firm’s policy is generally to make investment decisions with respect to a particular portfolio company concurrently for all applicable Funds and co-investment vehicles in accordance with any applicable Fund’s governing documents. Potential conflicts of interest associated with the allocation of investment opportunities are mitigated in that the Firm generally makes new investments for one Fund and, as applicable, a companion Fund at a given time and does not make investments for another Fund until the predecessor Fund is substantially fully invested or committed. A follow-on investment opportunity in a portfolio company is generally reserved for the Fund that originally invested in the portfolio company, subject to the guidelines and restrictions of the Fund’s governing documents and/or approval of the applicable Fund Advisory Committees and various factors including the availability of capital in a Fund. During the transition period from a predecessor Fund to a successor Fund, investment opportunities may be allocated among the two Funds pursuant to guidelines and restrictions of the respective Fund’s governing documents and/or as approved by the relevant Fund Advisory Committees and allocations of investments and fees and expenses associated with such investments may be appropriately adjusted based on such governing documents and approvals.

Item 7. Types of Clients

We and our affiliates serve as advisers, sponsors, general partners and/or managers of the Funds. Our Funds, or “Clients”, are generally pooled investment vehicles offered on the basis of a predetermined investment strategy rather than to meet the individual objectives of its investors. Interests in our Funds are privately offered to qualified investors from time to time. Investors in our Funds generally include state and private pension plans, financial institutions, sovereign wealth funds, foundations, endowments, certain of our employees and other individuals. Our Funds are not registered or required to be registered under the Investment Company Act of 1940.

When offered, the Funds typically require a minimum commitment, which may differ from Fund to Fund depending on our view of the prevailing market terms at the time of the offering; however, we have discretion to accept a lower commitment amount.

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

Warburg Pincus’ team of approximately 180 investment professionals, including more than 70 Managing Directors, is one of the largest private equity-focused investment teams in our industry.

The Firm focuses on thesis-driven investments in companies with accomplished management teams. Given the global nature of the Firm’s investment activities and broad spectrum of stages in which we invest, the Firm will

employ one or more of a broad variety of fundamental investment and market analyses, as appropriate, depending on the prospective opportunity.

Growth-Oriented Investing

We emphasize growth-oriented investing and seek to build companies at all stages, from conceiving and creating venture capital opportunities, to providing growth capital to meet the needs of existing businesses, to investing in later-stage and buyout transactions, to special situations with unique characteristics.

Across the range of the Firm's investments, our aim is to build lasting companies that will perform well in growing industries. We seek to generate profits from increasing operating earnings at our portfolio companies, rather than exclusively through financial engineering or multiple expansions, positioning the Fund for attractive long-term investment returns throughout economic and capital markets cycles. Warburg Pincus is typically the largest or lead investor in our transactions, allowing for a focus on overall return with appropriate oversight of a portfolio company's business plan and strategy. The Firm typically plays an active role with the Funds' portfolio companies and generally seeks the right to designate Warburg Pincus employees or other non-Warburg Pincus representatives with relevant skills or experience to its portfolio companies' boards of directors.

Our view of growth investing also extends to a selective, disciplined approach to leveraged buyout situations, focusing on high-quality companies and management teams presenting opportunities for attractive returns, relative to risk, and unique platforms for organic growth, expansion or add-on acquisitions.

Industry Specialization

Our Firm takes a specialized "sector" approach to investing in industries and companies. The core sectors we emphasize are: Energy; Financial Services; Healthcare & Consumer; Industrial & Business Services; and Technology/Media/Telecommunications, with numerous sub-sectors of specialization. We also may focus on real estate in certain regions where we believe real estate may represent an attractive investment opportunity.

We believe that this sector approach and the knowledge of our Firm's professionals in these sectors often provides us with advantages in sourcing, selecting or conceiving investment opportunities and realizing investments.

A Global Investor

Warburg Pincus has a long tradition of investing internationally. We maintain international investment offices in Beijing, Hong Kong, London, Mumbai, São Paulo and Shanghai, and administrative offices in Amsterdam, Luxembourg and Mauritius.

Our global approach includes a focus on investing in emerging markets, including China, India, Brazil and Central and Eastern Europe, as well as frontier markets, such as certain countries in Africa. We believe these regions are well-suited to the Firm's growth-oriented investing style and sector expertise.

Investment Process

Our investment process begins with our pipeline of investment opportunities. Following an initial review of an investment opportunity, a deal team will be formed to undertake due diligence. This deal team will include

investment professionals based upon a combination of the relevant industry and geographic expertise, as applicable. A member of our Executive Management Group will have oversight in the due diligence process.

The Warburg Pincus decision-making process is iterative and involves building conviction about a potential investment. A potential transaction is discussed regularly at the industry sector or geographic level, with the deal team receiving feedback over time. The Executive Management Group has the opportunity to provide relevant input at various times during the due diligence process. As a final step in the investment process, at least one of the two Co-Chief Executive Officers of our Firm must approve transactions above certain minimum thresholds.

Our investment professionals perform extensive due diligence in evaluating potential investments. Our processes and sector specialization also enable us to react quickly to special situations that may develop.

Beyond the due diligence process, we believe that much of the investment value is created by working with a portfolio company through the life of an investment. Because of the Firm's substantial experience with the issues faced by management teams of growth companies, its industry sector knowledge and its advisory network, professionals of the Firm are routinely involved with portfolio companies in broad strategic matters, assisting with finding key management personnel and other strategic decisions and financing issues.

Investments are reviewed at least quarterly by our Executive Management Group and discussed at the Firm's regular quarterly review meetings.

Risks Associated with the Firm's Investment Strategies and Methods

Risk of Loss

The types of investments we seek to make involve a high degree of business and financial risk. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio company in which the investment is made, the illiquid nature of such investments, changes in national or international economic and market conditions, changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, and our or our portfolio companies' ability to retain qualified personnel. Investors in a Fund should be aware that all investments in securities involve a risk of loss of capital that they should be prepared to bear. No guarantee or representation is made that a Fund will achieve its investment objective or avoid substantial losses. An investment in a Fund is speculative and involves certain considerations and risk factors.

Each Fund's offering memorandum may include additional applicable risks to those set out below, and not all of the risks set out below are necessarily applicable to every Fund.

Business and Market Risks

A Fund's investment portfolio will include securities issued by privately-held companies and operating results in a specified period will be difficult to predict. In addition, it is expected that a Fund's investment portfolio will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources and may require substantial additional capital to support their operations or to finance expansion. It is expected that a Fund's investment portfolio will also include securities issued by public companies, including privately-held portfolio companies that have consummated initial

public offerings during a Fund's holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. The foregoing investments involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

Lack of Diversification

While Warburg Pincus has historically sought to balance domestic and international investments across its core industry sectors and across all stages of company development, there is no assurance as to the degree of diversification that will actually be achieved in a Fund's investments.

Changes in Investment Focus

Funds are generally not restricted in terms of the percentage of their capital that can be invested in a particular industry, but may be restricted as to the percentage of their capital that may be invested in a single portfolio company, or as to geographic concentration. Many factors may contribute to changes in emphasis in the construction of a Fund's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of a Fund will resemble the portfolio of any prior Fund.

Reliance on Portfolio Company Management

The day-to-day operations of each portfolio company will be the responsibility of the portfolio company's management team. Although Warburg Pincus will be responsible for monitoring the performance of each investment, and a Fund will seek to invest in companies operated by strong management, there can be no assurance that a portfolio company's existing management team, or any successor, will be able to operate the company in accordance with a Fund's expectations. In addition, as a growth investor, a Fund is often not the controlling shareholder in a portfolio company, so a Fund may exert less influence than a controlling shareholder.

Lack of Liquidity of Investments

Many of the investments to be made by a Fund are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by a Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Investments in publicly-traded companies may also be subject to legal or contractual restrictions on resale, including the possibility that a Fund will be in possession of material non-public information about the company. In addition, the ability to exit an investment through the public markets will depend on market conditions, and particularly the market for public offerings.

A Fund's investment program should be considered speculative, as there can be no assurance that the assessments of Warburg Pincus of the short-term or long-term prospects of investments will generate a profit for investors. A Fund is only obligated to make distributions to the extent of distributable cash, if any, and may, in limited circumstances as set out in the Fund's governing documents, reinvest certain proceeds from investments, rather than distribute them to investors.

Lack of Sufficient Investment Opportunities

The business of identifying, completing, structuring and realizing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund may never be fully invested if enough sufficiently attractive investments are not identified. However, Fund investors will be required to pay management fees for an extended period of time based partially on the entire amount of their respective commitments, even if a Fund is never fully invested.

The availability of investments generally will be subject to market conditions, including perceptions of Warburg Pincus' ability to consummate transactions. In particular, in light of changes in such conditions certain types of investments may not be available to a Fund on terms that are attractive. Moreover, there is significant competition among private equity firms. A Fund may be competing for investments with many other private equity investors, as well as companies, governments, public equity market participants, individuals, financial institutions and other investors. Further, there continues to be a significant amount of equity capital available for investment by such other investors. In such an environment, the sourcing and execution of transactions for a Fund, whether on a proprietary basis or otherwise, becomes more challenging. Such competition and expenses incurred on investments that are not consummated may adversely affect returns.

Valuation

Other than the valuation of marketable securities to be distributed in kind based on publicly quoted trading prices, valuations of a Fund's assets shall generally be based on fair value determined by Warburg Pincus in accordance with generally accepted accounting principles, subject to the approval by the Valuation Committee (a subcommittee of the respective Fund's Advisory Committee) of Warburg Pincus' valuations or the valuation policies and procedures. When determining fair value, Warburg Pincus will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ materially from values that would have been determined had an active market existed for such securities and may differ materially from the prices at which such securities ultimately may be sold.

Monetary Policy and Governmental Intervention

As part of the response to the global financial crisis that began in 2008, the Federal Reserve Board and global central banks, including the European Central Bank, have in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally,

which in turn may affect the performance of a Fund's investments. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty. More recently, in response to interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities. Private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible for borrowers compared to prior periods. These developments may impair a Fund's ability to consummate transactions and/or cause a Fund to enter into transactions on less favorable terms.

Non-U.S. Investments Generally

A Fund may invest in the securities of issuers located outside of the U.S. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a Fund's foreign investments are denominated, and costs associated with conversion of investment capital and income from one currency into another and/or the repatriation of capital from such jurisdictions; (ii) inflation matters, including rapid fluctuations in inflation rates; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (iv) economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (v) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. In addition, laws and regulations of foreign countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries also may impose taxes on a Fund and/or the investors of a Fund. Warburg Pincus will analyze risks in the applicable foreign countries before making such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks, including changes in regulations regarding foreign ownership of assets or repatriation of funds or changes in taxation might not adversely affect an investment by a Fund.

Investments in Emerging and Frontier Markets

A Fund may invest in securities of issuers located in emerging markets, such as China, India, Brazil and countries located in Central and Eastern Europe, as well as investments in certain frontier markets such as certain countries in Africa. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other, more established economies or markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including armed conflict, terrorism or social unrest; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, repatriation of invested

capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about portfolio companies; (xi) less extensive regulation of financial and other markets; (xii) less developed compliance culture; (xiii) risks associated with differing cultural expectations and norms regarding business practices; (xiv) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xv) less developed corporate laws, including regarding fiduciary duties of officers and directors and the protection of investors; (xvi) less developed, reliable or independent judiciary systems for the enforcement of contracts or claims; (xvii) greater regulatory uncertainty; (xviii) maintenance of a Fund's investments with non-U.S. brokers and securities depositories; and (xix) threats or incidents of corruption or fraud that may cause a Fund not to pursue certain investments, or alter certain activities or liquidate certain portfolio investments or liquidate such investments prior to or after the time when Warburg Pincus would otherwise liquidate to achieve optimal returns, all of which may cause losses or have other negative impacts on a Fund or its portfolio investments.

Repatriation of investment income, assets and the proceeds of sales by foreign investors, such as a Fund, may require governmental registration and/or approval in some emerging or frontier markets. A Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by the Fund or gains from the disposition of such financial instruments.

In emerging markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision that is in place may be subject to manipulation or control. Some emerging market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not proceed at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements or authorities. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. A Fund may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

Certain of the markets in which Warburg Pincus may invest are frontier markets that are subject to many of the same risks as investments in emerging markets, as well as heightened or additional risks, including political instability, conflict and corruption. Investments may be made in territories where border disputes exist, making the legal, political and security climate uncertain, and there can be no assurances that such potential instability will ease. Transactions in such regions may depend upon accessing appropriate and reputable intermediaries. Despite a growing trend toward democratic processes, some frontier economies are in countries with a history of military conflict and corruption. If such activities were to recur, they could reverse favorable trends toward economic and market reform, privatization and the removal of trade barriers, and result in significant disruptions in markets.

Investments in Brazil

Investments in Brazil involve a high degree of risk and special considerations not typically associated with investing in more developed and stable environments, including, but not limited to, those set forth below. The overall value of any portfolio investments in Brazil will be affected by Brazil's distinctive economic, political and regulatory environment, including, without limitation, interest rate levels, inflation, the availability of financing in local markets, as well as changes to the legal environment.

The Brazilian economy has been characterized by frequent, and occasionally drastic, intervention by the Brazilian government, which has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and affect other policies have often involved wage and price controls and fluctuation of the Central Bank of Brazil's base interest rates. Actions taken by the Brazilian government concerning the economy may have important effects on Brazilian entities, market conditions and prices of Brazilian securities. A Fund's investments in Brazil may also be materially and adversely affected by the following factors and the Brazilian government's actions in response to them: devaluations and other exchange rate movements; monetary policies; inflation rates; economic and social instability; interest rates; exchange controls and restrictions on remittances abroad; liquidity of the domestic capital and lending markets; tax policy; commodity price instability and other political, diplomatic, social and economic policies or developments in or affecting Brazil. The operation and cash flows of any portfolio investment may depend, in some cases to a significant extent, upon prevailing or improving market prices for energy commodities (such as oil, gas, coal and power). Market prices of these energy commodities as well as other inputs may fluctuate materially depending on a variety of factors beyond the control of Warburg Pincus.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy; in particular, political crises have affected the confidence of investors and the public in general, which adversely affected the economic development in Brazil. These and other future developments in the Brazilian economy and governmental policies may adversely affect a Fund.

Investments in China

Investing in China involves certain risks not typically associated with investments in other countries or more developed markets. The economy of China may perform favorably or unfavorably compared with more developed economies in such respects as growth of gross domestic product, rate of inflation, currency controls, currency appreciation or depreciation, capital reinvestment, resource self-sufficiency and balance of payments. The economy of China is generally heavily dependent upon international trade and, accordingly, may be affected adversely by protective trade barriers and economic conditions in the countries with which it trades. The economy of China is also vulnerable to weaknesses in world prices for its commodity exports. Such risks cannot be eliminated entirely, and may in any case be beyond the control of Warburg Pincus.

China is considered to be a country with an emerging economy and has in the past and may in the future experience significant political, economic and social instability, which could adversely affect investments. A Fund will also be exposed to the direct and indirect consequences of potential political, social and diplomatic changes in China. China may face social and political instability resulting from, among other things: authoritarian

governments or military involvement in political and economic decision making and changes in government through extra-constitutional means; popular unrest and internal insurgencies associated with demands for improved political, economic and social conditions; hostile relations with neighboring countries; and ethnic, racial and religious conflict. There is also the possibility of nationalization, expropriation or confiscatory taxation or governmental regulation, which could adversely affect the economy or the value of a Fund's investments.

China has adopted a broad range of laws, administrative rules and regulations that govern the conduct and operations of companies in China that receive capital investments from foreign investors (known as "Foreign Investment Enterprises" or "FIEs"). These laws, rules and regulations provide some incentives to encourage the flow of investment into China, but they also subject FIEs to a set of restrictions that may not always apply to domestic companies in China. For example, FIEs are prohibited from participating in certain industries and may only participate in certain other industries if they are at least partially-owned by domestic Chinese investors. The rules and regulations prohibiting or restricting FIE participation in certain industries in China are codified in the Foreign Investment Catalogue, which is administered by the China Ministry of Commerce and its local affiliates ("MOFCOM"), as well as other related agencies. Warburg Pincus cannot provide any assurance that laws or regulations in China will not restrict a Fund's ability to invest in China.

Foreign investors who wish to purchase or dispose of equity interests in FIEs must secure approval from MOFCOM, or a government agency otherwise delegated with similar authority by MOFCOM. MOFCOM is sometimes reluctant to grant such approval for certain industries such as telecommunications, banking, construction and other sensitive or strategic industries. A Fund may be required to apply for Chinese government approvals with respect to its purchase and/or disposal of any portfolio investment that consists of a direct equity investment in a Chinese company. In certain industries there is no guarantee that a Fund will be able to obtain such approvals. Moreover, even when approval is forthcoming, the time and process required to secure approval may be largely determined by MOFCOM and other government authorities based on considerations outside of Warburg Pincus' control. Current laws and regulations provide MOFCOM and other regulators with significant discretion to delay or restrict foreign investment for broad public policy reasons. Further, MOFCOM has the power to require that the terms of an investment be altered as a precondition to approval. Altered terms can include the amount of ownership granted, as well as governance and liquidity rights.

Under the China Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Provisions"), which were enacted in 2003 and significantly amended in 2006, MOFCOM has broad authority to prohibit acquisitions where a foreign investor would (i) acquire industry leadership or a dominant position in any sector; (ii) acquire ownership of a well-known brand or trademark; or (iii) obtain undue influence over China's economic security or key domestic enterprises. Warburg Pincus cannot predict how MOFCOM and other regulators in China will apply their authority under the M&A Provisions to investments proposed by a Fund. Although the M&A Provisions generally provide that MOFCOM will respond to approval applications within 30 days, in practice Chinese regulatory authorities have discretion to extend the review period for a variety of reasons. Delay or refusal by MOFCOM or other authorities to grant necessary approvals could adversely affect a Fund's ability to make direct investments in potential portfolio companies. In addition, the process of securing necessary approvals for the purchase or disposal of portfolio companies may result in a level of expenses to a Fund which exceeds the level of expenses necessary to make investments of a similar nature in other jurisdictions. Such additional expenses would have an impact on the results of such portfolio investments, as well as a Fund.

Investments in India

Foreign investment in securities of Indian companies is restricted or controlled to varying degrees. These restrictions may at times limit or preclude foreign investment, increase the costs and expenses of investments by a Fund in Indian companies and may require the approval of the Reserve Bank of India (“RBI”), the Government of India (through the Foreign Investment Promotion Board) and/or other governmental entities. The sale of securities by a Fund to Indian residents and other non-residents of India may also require the prior approval of government entities and the RBI. In addition, such approval will generally be required to convert the proceeds from the sale of portfolio investments from the currency of investment to U.S. dollars and to repatriate such amounts. While in some instances such approvals are routinely granted, in others approval may be more difficult to obtain and may be granted only subject to certain conditions, if at all. There can be no assurance that a Fund will be able to obtain all the approvals necessary to implement its investment program fully.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of Indian companies. These provisions may discourage or prevent a third party from acquiring control of an Indian company, even if a change in control would result in the purchase of equity shares of such company that would be beneficial to a Fund. In addition, foreign investment in Indian companies is subject to certain minimum valuation and pricing guidelines. Such minimum valuation and pricing guidelines may restrict the ability of a Fund to make investments in Indian companies at attractive values. RBI has also prescribed certain maximum valuation and pricing guidelines for persons and corporations resident outside India that sell shares of Indian companies to resident Indian persons and corporations. Such maximum valuation and pricing guidelines may restrict the ability of a Fund to sell its investments in Indian companies at a higher valuation than may be available in the absence of the aforesaid restrictions prescribed by the RBI.

Industry Sector Risks

Energy. Investments in the energy sector by a Fund may be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry, including recent efforts by states and federal governmental agencies to regulate or limit hydraulic fracturing; (iii) environmental liability risks related to energy properties and projects; (iv) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage (if any), inability to obtain desirable amounts of insurance at economic rates and acts of God or other catastrophes; and (v) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, political instability, armed conflicts, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors). Beginning in 2014, oil and gas prices have declined significantly and there can be no certainty that oil and gas prices will return to previous levels. Moreover, a Fund may make investments in energy companies operating outside of North America and Western Europe. Significant oil and gas deposits are located in emerging markets countries where corruption and security may raise significant risks, in addition to the other risks of investing in emerging markets. In addition, the Middle East, where a Fund’s portfolio companies may operate, continues to see widespread social unrest. Additionally,

investments in the energy and energy services sectors are subject to force majeure and other catastrophic events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant downtime resulting in lost revenues, among other potentially detrimental effects.

Financial Services. Financial services companies have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad developments in business and finance, legislation and regulation affecting the state, national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. A change in any of these factors could adversely impact the value of financial instruments held by and the balance sheets of financial services companies. Financial services companies operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties, fines, license suspension or termination of deposit insurance. In addition, in order to comply with banking and insurance laws, rules and regulations, a Fund may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules and regulations. The upheavals in the U.S. and global financial markets that began in 2008 illustrated the possibility of extraordinary and unprecedented uncertainty and instability in such markets.

Healthcare & Consumer. Healthcare and life sciences related companies are generally subject to greater governmental regulation than other industries at both the U.S. state and federal levels. In recent years both local and national governmental budgets have come under pressure to reduce spending and control healthcare costs, which could both adversely affect regulatory processes and public funding available for healthcare products, services and facilities. In March 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or PPACA (collectively, the “Health Care Reform Act”). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While one intent of healthcare reform is to expand health insurance coverage to more individuals, it may also involve additional regulatory mandates and other measures designed to constrain medical costs, including coverage and reimbursement for healthcare services. The Health Care Reform Act has had a significant impact on the healthcare sector in the U.S. and consequently has the ability to affect the companies within the healthcare industry. The ultimate effects of federal healthcare reform or any future legislation or regulation, or healthcare initiatives, if any, on the healthcare sector, whether implemented at the federal or state level, cannot be predicted with certainty and such reform, legislation, regulation or initiatives, including the Health Care Reform Act, may adversely affect the performance of a Fund’s investments.

Changes in governmental policies may have a material effect on the demand for or costs of certain products and services. A healthcare or life sciences related company must receive government approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and services to the marketplace, resulting in increased development costs, delayed cost recovery and loss of competitive

advantage. Additionally, certain healthcare and life sciences related companies depend on the exclusive rights or patents for the products they develop and distribute. Patents have a limited duration and, upon expiration, other companies may market substantially similar “generic” products that are typically sold at a lower price than the patented product, causing the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer.

The Consumer sector can be significantly affected by various factors, including the performance of domestic and international economies, exchange rates, changing consumer preferences, demographics, marketing campaigns, cyclical revenue generation, consumer confidence, commodity price volatility, labor relations, interest rates, import and export controls, intense competition, technological developments and government regulation. Companies engaged in the design, production or distribution of products or services for the consumer discretionary sector are subject to the risk that their products or services may quickly become obsolete. The success of these companies can depend heavily on disposable household income and consumer spending. The consumer goods industry may be strongly affected by trends, marketing campaigns, demographics, changing consumer preferences and other factors affecting consumer demand. Governmental regulation affecting the use of various food additives may affect the profitability of certain companies in the consumer goods industry. Many consumer goods are marketed globally and consumer goods companies may be affected by the demand and market conditions in other countries and regions. The success of consumer product manufacturers and retailers depends heavily on disposable household income and consumer spending. Companies in the consumer staples sector may be subject to risks pertaining to the supply of, demand for and prices of raw materials. The prices of raw materials may fluctuate in response to a number of factors, including, without limitation, changes in government agricultural support programs, exchange rates, import and export controls, changes in international agricultural and trading policies, and seasonal and weather conditions.

Industrial & Business Services. Investments in the industrial sector may entail risks associated with more mature businesses and heavily regulated industries, including transportation, aerospace and defense, building products, chemicals and other industrial companies generally. These portfolio companies may also serve customers that include governmental entities. Investments that are subject to greater amounts of governmental regulation, or with significant customer concentration with governmental entities, pose additional and unique risks. Governmental budgeting and procurement requirements could adversely affect profitability. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased operating costs, increased compliance costs or the need for additional capital expenditures generally. Additionally, certain industrial portfolio companies may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject a portfolio company to complex laws and regulations as well as labor relations disputes or difficulties generally. Business operations at one or more facilities may be interrupted as a result of work stoppages and delays in the process of renegotiating collective bargaining agreements. Business services investments, including logistics, facility management, delivery and distribution businesses are generally highly fragmented, can be subject to heavy competition and low barriers to entry, and can be adversely affected by business cycles, economic downturns and the availability of skilled and unskilled labor.

Technology/Media/Telecommunications. The market for technology is characterized by periodic new product introductions, innovations and evolving industry standards. The emerging nature of these products and services with their rapid evolution will require technology companies that are portfolio investments of a Fund to

continually improve the performance, features and reliability of their products or services, particularly in response to possible competitive offerings. There can be no assurance that these companies will be successful in achieving widespread acceptance of their products or services before competitors offer products and services with features and performance similar to those of such technology companies. In addition, the widespread adoption of new technologies or standards could require substantial expenditures by such technology companies to modify or adapt their products or services. Such expenditures could affect the profitability of these technology companies and in turn the operating results and financial condition of a Fund. A Fund may make investments in communications companies. Communications companies are subject to changes in their businesses due to evolving levels of governmental regulation or deregulation as well as the development of communication technologies. Competitive pressures within the communications industry are intense and the securities of communications companies may be subject to significant price volatility. In addition, because the technology and communications industries are subject to significant changes in technology, the companies that a Fund may invest in may face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. Finally, while all companies may be susceptible to network security breaches, certain technology and communication companies may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

Real Estate. Investments in real estate may be subject to a variety of risks, including, but not limited to, risks associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property values, tax rates, changes in interest rates, and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of Warburg Pincus.

Risk of Early-Stage Investments

A Fund may make early-stage investments, including investing in start-up companies. While such investments offer the opportunity for significant gains, they also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Investment by a Fund in start-ups may depend significantly on an entrepreneur or management team that Warburg Pincus has selected. Early stage companies may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Borrowing; Portfolio Company Leverage

A Fund may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to such assets in an insolvency event or proceeding. The use of leverage will result in costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments.

A Fund may be authorized to borrow funds, from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties, subject to certain limitations provided in a Fund's governing documents. Such borrowing may be used, among other things, to purchase portfolio investments as they become available in advance of the receipt of anticipated funds from capital contributions from investors. As security for such borrowing, guarantees or other credit support, a Fund may grant liens on any of a Fund's assets to the lender or other counterparty which assets may not necessarily be limited to a single portfolio investment. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by an investor of a Fund to such assets in an insolvency event or proceeding. In addition, to support borrowing, each Fund and Warburg Pincus, as applicable, may have the right, at its option, to pledge all or a portion of uncalled capital commitments, the right of Warburg Pincus to deliver notices to investors demanding capital contributions and any account into which such capital contributions are made; provided, that no investor will be obligated to pledge its interest in a Fund. Although borrowings by a Fund may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than a Fund's cost of funds.

Risks in Effecting Operating Improvements

In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of a Fund or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

Uncertainty of Financial Projections

A Fund may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

Control Person Liability

As a growth investor, Warburg Pincus is often not the controlling shareholder in a portfolio company. However, it is expected that a Fund will have controlling interests in certain of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities and antitrust laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, the fund (and any other 80%-owned portfolio companies of the fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. If any of these liabilities were to arise, a Fund might suffer significant losses. In addition, it is expected that representatives of Warburg Pincus will serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than a Fund.

Lack of Unilateral Control

Warburg Pincus is not expected to have unilateral control of most of its portfolio companies. In addition, a Fund may make minority equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled by persons who have economic or business interests or goals that are inconsistent with those of a Fund or may be in a position to take action contrary to a Fund's business interests, and a Fund may not be in a position to limit or otherwise protect the value of a Fund's investment. When taking non-control positions, a Fund will seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes value.

Third-Party Involvement

A Fund may co-invest in portfolio companies with other institutional investors including, on occasion, private equity funds of other sponsors or investors. Such investments may involve risks not present in investments in which such co-investors are not involved, including the possibility that a co-investor of a Fund may at any time have economic or business interests or goals which are inconsistent with those of a Fund or may be in a position to take action contrary to the investment objectives of a Fund or may not have capital available for follow-on investments. In addition, an investor that participates in co-investments may be in a position to obtain additional information regarding the investee portfolio company that may not generally be available to the investors in a Fund.

Regulation and Enforcement; Litigation

The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the private equity industry and its practices. In addition, numerous regulatory initiatives have been launched and significant legislation has been enacted as a result of the severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds in recent years. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the U.S. or outside of it, could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of enterprises and the cost of operating a

Fund or the ability of a Fund to engage in certain transactions. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of a Fund exposes a Fund and Warburg Pincus generally to this risk of third-party litigation. Warburg Pincus has historically been subject to such litigation. Under a Fund's governing documents, a Fund will generally be responsible for indemnifying Warburg Pincus for costs it may incur with respect to such litigation not covered by insurance.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was enacted on July 21, 2010, significantly revises and expands the rulemaking, supervisory and enforcement authority of federal bank, securities and commodities regulators. It is still unclear how these regulators will exercise these revised and expanded powers and the extent to which their rulemaking, supervisory or enforcement actions will adversely affect Warburg Pincus or a Fund.

Warburg Pincus has registered as an investment adviser under the Investment Advisers Act of 1940 due in part to the requirements of the Dodd-Frank Act. Among other obligations, the Dodd-Frank Act imposes increased recordkeeping and reporting obligations on Warburg Pincus with respect to Funds and no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on Warburg Pincus, a Fund or an investor. In addition, the new recordkeeping and reporting requirements and enhanced SEC scrutiny and audits will increase a Fund's compliance, administrative and other operational costs.

A key feature of the Dodd-Frank Act is the extension of prudential regulation by the Federal Reserve to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act defines a "nonbank financial company" as a company that is substantially engaged in activities that are financial in nature and provides the Federal Reserve with the authority to determine which of such companies are "significant". The Financial Stability Oversight Council (an interagency body created to monitor and address systemic risk) has the authority to subject such a company to regulation by the Federal Reserve (including capital, leverage and liquidity regulation) if the Financial Stability Oversight Council determines that material financial distress at the company would pose a threat to the financial stability of the United States. The Dodd-Frank Act does not contain any minimum size requirements for such a designation and it is possible that it could be applied to large private funds. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and on Warburg Pincus or a Fund, specifically.

Warburg Pincus is committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act ("FCPA"), the Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, a Fund may be adversely affected or miss out on opportunities because of its or Warburg Pincus' unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

While Warburg Pincus has developed and implemented policies and procedures designed to ensure strict compliance by Warburg Pincus and its personnel with the FCPA and the UKBA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Warburg Pincus' policies and procedures, affiliates of portfolio companies, particularly in cases where a Fund or another Warburg Pincus sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in

FCPA and/or UKBA violations. Any determination that Warburg Pincus has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect Warburg Pincus' business prospects and/or financial position, as well as a Fund's ability to achieve its investment objective and/or conduct its operations.

Pay-to-Play Laws, Regulations and Policies

A number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If Warburg Pincus, any of their employees or affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on a Fund. Investors may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

Investments in Public Companies

A Fund may invest in public companies (subject to restrictions set forth in relevant governing documents). Investments in public companies may subject a Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, which may include Warburg Pincus personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

Material Non-Public Information

From time to time, Warburg Pincus and its personnel may come into possession of material non-public information concerning specific companies, including as a result of certain Warburg Pincus professionals serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the flexibility of Warburg Pincus to buy or sell securities issued by such companies. A Fund's investment flexibility may be constrained as a consequence of the inability of Warburg Pincus to use such information for investment purposes. Warburg Pincus has policies and procedures in place that are intended to prevent the misuse of material non-public information by its personnel, although there can be no assurance that such misuse will never take place.

Hedging Policies/Risks

In connection with certain portfolio investments, a Fund may employ hedging techniques designed to reduce the risks of adverse movements in commodity prices, interest rates and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Therefore,

while a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates or currency exchange rates may result in a weaker overall performance for a Fund than if it had not entered into such hedging transactions. Further, there may be circumstances where a Fund elects not to employ hedging techniques. In such circumstances, the lack of a hedge may permit a Fund to take advantage of favorable movements in commodity prices, interest rates and currency exchange rates but may expose a Fund to risks of adverse commodity prices, interest rate or currency exchange rate movements.

For additional information on a Fund's material risks, including material risks not related to the Fund's investment strategies, investors should see the disclosure in the respective offering documents for each Fund.

Item 9. Disciplinary Information

Neither the Firm nor its management persons have been subject to legal or disciplinary events that are material to the Firm's advisory business or that would be material to existing or prospective investors' evaluation of the Firm's advisory business or the integrity of its management persons.

Item 10. Other Financial Industry Activities and Affiliations

With respect to our international investment advisory business activities, we may rely on the personnel and resources of our wholly owned "Relying Advisers" disclosed on Section 1.B. of Schedule D of Form ADV Part 1. Each Relying Adviser and its personnel operate under the supervision and compliance oversight of the Firm.

Industry Relationships

We have numerous business relationships throughout the financial industry that assist us with the full spectrum of our investment activities and administrative matters for our Funds, including providing credit facilities to both the Funds and Warburg Pincus. We do not have any specific relationships with third party financial institutions that we consider to be material to our advisory business, other than an arrangement with an affiliate of Bank of America Corporation that is entitled to an 11% passive participation in the carried interest of certain existing Funds formed prior to Warburg Pincus Private Equity XI, L.P. In connection with fundraising efforts, we have entered into arrangements with financial institutions to sponsor or arrange feeder funds to invest in a Fund and have engaged local placement agents in certain jurisdictions outside of the United States largely in satisfaction of local regulatory requirements relating to investors in a Fund in those jurisdictions.

The Firm's Capital Markets Group manages our relationships with broker/dealers and investment and commercial banks. In addition to providing transaction execution, these relationships may serve to provide insight and opportunities to the Firm, our Funds and portfolio companies. We select financial institutions to execute transactions on behalf of the Funds on a "best execution" basis (see Item 12. Brokerage Practices for more information) and also assist portfolio companies with their selection of financial institutions for capital markets transactions entered into by portfolio companies, such as debt and equity financings or mergers and acquisitions. Although the Firm does not charge fees to portfolio companies for assisting with capital markets transactions, such relationships will give rise to conflicts of interest from time to time as between the Firm, the Funds and portfolio companies.

As with other private equity fund sponsors, as part of Warburg Pincus' business, the Firm and its employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, consultants, professional advisors (such as attorneys and accountants), private equity and venture capital investors, investors in the Warburg Pincus Funds, co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees of Warburg Pincus. Certain of such third parties may: introduce investment opportunities to Warburg Pincus; arrange for, or facilitate the financing, the purchase or recapitalization of potential portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; introduce Warburg Pincus to potential buyers of portfolio company securities; facilitate the disposition of portfolio company securities; provide investment banking, consulting or advisory services to Warburg Pincus, the Warburg Pincus Funds or portfolio companies; invest in Warburg Pincus Funds; co-invest in portfolio companies; or provide other significant business or investment services to Warburg Pincus, the Warburg Pincus Funds and portfolio companies. Such third parties may receive direct commercial compensation from a portfolio company, a Fund or Warburg Pincus for providing these services, which compensation and services are intended to be on an arm's length basis. Employees of Warburg Pincus may obtain personal financial and other services on an arm's length basis from banking institutions that also provide services to the Funds and portfolio companies.

Throughout our history, we have been active investors in the financial services sector, in particular in banking and insurance, and our Funds' portfolios will often include a number of financial services companies. While a portfolio company, including a financial services portfolio company, may from time to time provide services to us, our Funds or other portfolio companies in the ordinary course of business, we do not actively incorporate our financial services portfolio companies with our advisory business. To the extent we engage a financial services portfolio company to provide services to us, we will seek to do so at an arm's length basis on prevailing market terms. Our financial services investments may include regulated rating agencies, which may be subject to limitations on their activities with other portfolio companies.

Sheridan Production Partners

In 2006, Warburg Pincus, together with an experienced management team in the oil and gas industry, established Sheridan Production Partners ("Sheridan"), headquartered in Houston, Texas, which through its oil and gas investment partnerships, makes direct investments in mature, producing oil and gas properties in the U.S. (the "Sheridan Partnerships"). Certain Warburg Pincus professionals have made substantial investments in and are entitled to receive a substantial portion of the carry and management fee with respect to the Sheridan Partnerships. In addition, certain Warburg Pincus investment professionals are involved in the activities of the Sheridan Partnerships, including Co-Chief Executive Officer, Charles R. Kaye, who along with other energy team investment professionals are members of the respective investment committees of the manager of the Sheridan Partnerships. Warburg Pincus also provides certain support to Sheridan including fund administration and reporting, investor relations and, from time to time, assistance on matters relating to the capital markets at no charge.

Warburg Pincus believes the investment objectives of Sheridan (which makes direct investments in mature, producing oil and gas properties and seeks relatively lower risks and returns) are separate and distinct from the investment objectives of any of our Funds with respect to energy opportunities. The investment adviser to Sheridan, Sheridan Production Partners Manager LLC, is registered as an investment adviser with the SEC.

Sheridan's investment activities are separately conducted by the Sheridan management team, other than as set forth above, and we do not believe that our ownership of Sheridan provides us with the power to direct the management or policies of Sheridan, and, as such, Warburg Pincus does not, in fact, control Sheridan. None of the Sheridan professionals are employees of Warburg Pincus, nor are Warburg Pincus professionals employees of Sheridan.

Although the operations of Sheridan are separate from Warburg Pincus, there exists the potential for conflicts of interest potentially affecting our Funds with respect to the relationship between Warburg Pincus, its investment professionals, and Sheridan and the Sheridan Partnerships. For example:

- The Sheridan Partnerships may acquire assets owned by or dispose of assets to a Fund portfolio company(s).
- The Sheridan Partnerships may compete for acquisitions of producing properties with a Fund portfolio company(s).
- The Sheridan Partnerships may acquire assets owned by, or dispose of assets to, publicly-traded entities in which a Fund or Warburg Pincus investment professional(s) has an equity ownership stake.
- The Sheridan Partnerships may acquire, own and dispose of a joint venture, working or other financial interest in a property in which a Fund or Warburg Pincus investment professionals have an equity ownership stake.
- Oil and gas produced from properties owned by the Sheridan Partnerships may be transported in pipelines or processed by companies in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity ownership stake.
- A Fund or companies in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity stake may seek to recruit professionals currently employed or sought by Sheridan. The market for experienced exploration and production ("E&P") executives and personnel is very competitive. Sheridan management may seek to recruit or retain personnel currently employed or sought by entities in which a Fund or, through their interests in prior Funds, Warburg Pincus investment professionals have an equity ownership stake.
- The Sheridan Partnerships may acquire oil field and other services or purchase goods and equipment from companies in which a Fund or, through their interests in prior Warburg Pincus funds, Warburg Pincus investment professionals have an equity ownership stake.
- Conflicts may arise between the duties of Warburg Pincus and its affiliates to Sheridan and their duties to a Fund and its portfolio companies.
- Warburg Pincus investment professionals engaged in the activities on behalf of a Fund related to the E&P business serve on the Sheridan investment committees and serve on the boards of directors of a

number of E&P companies. Conflicts may arise among the individual's duties to a Fund, duties as a member of the Sheridan investment committees and duties as a director of any other company.

- Certain members of Sheridan management also serve on Warburg Pincus portfolio company boards. Any compensation paid to a Sheridan professional for service as a director of a Warburg Pincus portfolio company may be retained in its entirety by the Sheridan professional and is not applied to offset the management fee or otherwise allocated to the relevant Fund.
- Warburg Pincus has offered to certain Sheridan professionals, and Sheridan has offered to certain Warburg Pincus professionals the opportunity to invest in their respective funds, on a no fee, no carry basis.

Although the Firm and our Funds' partnership agreements establish procedures that seek to avoid, mitigate or manage such conflicts, there can be no assurance that all such conflicts will be resolved in favor of a Fund.

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

Code of Ethics and Personal Trading

We have adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, which sets forth fiduciary principles and certain standards of business conduct for the Firm and our employees. The principles affirmed in our Code of Ethics include a requirement to act in the best interest of our Funds and Fund investors, to avoid personal conflicts of interest, to appropriately use our position of trust and to protect and prevent the misuse of non-public information that we possess.

Our Code of Ethics includes employee personal trading restrictions such as a general prohibition from personal trading in our portfolio companies (other than pre-approved sales of distributions-in-kind) and other companies while they are under review by the Firm. It also includes requirements for certain record-keeping, reporting, disclosure and attestations by our employees. The Firm actively seeks to avoid conflicts of interest from our employees' personal investments and activities by requiring pre-clearance of most personal investments and outside business activities, declining to approve or establishing procedures to manage potential conflicts from personal investments or activities, and requiring escalation of actual conflicts of interest to the Firm's Compliance Officer.

Our Code of Ethics also requires confidential treatment of information acquired at the Firm and contains policies addressing political contributions and the giving of or accepting gifts, among others.

The Firm has also established an Oversight Committee to assist with respect to internal policies and procedures relating to compliance matters.

Clients may request a copy of our Code of Ethics by writing to Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017, Attention: Chief Compliance Officer.

Participation in Client Transactions

We are active investors in our Funds, with the Firm and our professionals committing significant amounts of their own capital to invest alongside or through the Funds. The Firm and our employees may also acquire Fund interests from time to time in secondary transactions. Generally, our employees are not permitted to make personal investments in our portfolio companies other than through their investment in our Funds or parallel funds. We believe this structure serves to align the interests of our Firm and our professionals with those of our Funds and our investors.

The Firm may elect from time to time, in lieu of selling securities of a portfolio company for cash on behalf of a Fund, to make a distribution-in-kind of marketable securities to investors in the Fund, including the Firm and our professionals (either deriving from Firm or personal investments in the Funds and/or from our carried interest), thereby allowing distributees to make their own selling decisions. After a distribution-in-kind, the Firm and our professionals will refrain from selling such securities for their own account for a period of time while investors may dispose of such securities should they determine to do so. In addition, distributions-in-kind are generally valued based on the average closing price of the security across a certain number of days following the distribution.

To further mitigate potential conflicts of interest, Warburg Pincus operates as one firm and one partnership with a single carried interest structure for allocating profits among the Firm's partners and other professionals. A substantial portion of our professionals' compensation is directly linked to the investment performance of our Funds. The Firm generally does not charge investment banking or other transaction fees, such as sponsor, advisory or monitoring fees, nor do we charge fees for any other services provided to our portfolio companies. In the limited circumstances in which the firm may receive such a fee – such as when a co-investor in the transaction receives a fee – any such fee received by Warburg Pincus from a portfolio company is applied 100% to offset the management fee or otherwise allocated to the relevant Fund. Fees paid to our employees for service as directors of portfolio companies are also applied 100% to offset the management fee or otherwise allocated to the relevant Fund. As described above in Item 5. Fees and Compensation, any compensation retained by Consultants or Special Limited Partners or other representatives we have designated to the boards of portfolio companies generally do not offset management fees otherwise payable by our Funds, nor do any directors' fees paid to certain personnel performing certain jurisdiction-specific administrative functions.

It is common that as part of an investment we make for our Funds we will seek to have representation on a portfolio company's board of directors in order to enhance the Firm's oversight and ability to influence the strategic direction of the portfolio company. As a general matter, a representative of the Firm who serves as a portfolio company director owes duties to the portfolio company and its shareholders. In limited circumstances, the director may face a conflict of interest between the director's duties to the portfolio company and a Fund. If a material conflict of interest should arise with respect to a board matter, the director may be required to act in the best interests of the portfolio company and its shareholders, which interests may be different than those of a Fund.

Allocation of Investment Opportunities with Other Entities and Conflicting Fiduciary Duties to Other Entities

The Firm generally makes new investments for one Fund – or as applicable, one Fund and a companion Fund – at a given time and does not make investments for another Fund until the predecessor Fund is substantially fully

invested or committed. A follow-on investment opportunity in a portfolio company is generally reserved for the Fund that originally invested in the portfolio company, subject to the guidelines and restrictions of the Fund's governing documents and/or approval of the Fund Advisory Committees and various factors including the availability of capital in a Fund. During the transition period from a predecessor Fund to a successor Fund, investment opportunities may be allocated among the two Funds pursuant to guidelines and restrictions of the respective Fund governing documents and/or as approved by the relevant Fund Advisory Committees and allocations of investments, and fees and expenses associated with such investments, may be appropriately adjusted based on such governing documents and approvals.

A companion Fund, such as Warburg Pincus Energy, L.P., will co-invest with the main Fund in accordance with the respective Fund governing documents and/or as approved by the relevant Fund Advisory Committees. Warburg Pincus may, from time to time, otherwise be presented with investment opportunities that fall within the investment objective of a Fund and other investment funds sponsored by Warburg Pincus. In such circumstances, Warburg Pincus expects to allocate such opportunities among a Fund and such other Warburg Pincus funds on a basis that Warburg Pincus determines in good faith is appropriate taking into consideration such factors as the size of the proposed investment, portfolio diversification of each relevant Fund, investment guidelines, risk allocation, contractual restrictions, the amount of follow-on investments that may be required and the other portfolio investments in each respective Fund, subject, in each case, to the applicable requirements of the Fund's governing documents and the governing agreements of the other Warburg Pincus funds.

Except as expressly permitted in a Fund's governing documents, none of the Firm's employees will be allocated investment opportunities that are suitable for a Fund without the consent of the Fund's Advisory Committee.

Co-Investments

Warburg Pincus may, but will be under no obligation to, provide co-investment opportunities to any persons, including investors, strategic investors or other third-parties, including other private equity funds not affiliated with Warburg Pincus, the exact terms of which will be set by Warburg Pincus, but may include the opportunity to co-invest on a no fee, no carry basis. Warburg Pincus will not provide such co-investment opportunities until Warburg Pincus has determined, in good faith, the appropriate portion of the applicable investment opportunity to be taken by a Fund. Such opportunities are then extended based on a range of factors, including, but not limited to: (i) the absolute size of the transaction relative to the absolute size of the Fund; (ii) the remaining available capital in the Fund; (iii) the geographic, industry and/or life cycle of the transaction given the desire to manage the Fund's sector or sub-sector concentration; (iv) the level of risk associated with the transaction in relation to the size of the equity commitment and the composition of the Fund's portfolio; (v) whether there may be an ability or obligation for the Fund to put in additional capital at a later stage, which may reduce the amount of capital that the Fund can invest up-front in a particular transaction; (vi) whether regulatory, legal or other risks may result in a desire to own less than a certain percentage of the overall equity; or (vii) whether there is a limited partner or third party that the Firm has determined provides strategic value to the transaction that is sufficient to justify the Fund(s) investing appropriate lesser amounts in order to enhance the return profile of the investment for the benefit of the Fund(s).

Following the Firm's determination, in good faith, that the appropriate portion of the applicable investment opportunity has been allocated to a Fund(s), as described above, the Firm will select limited partners or third parties for co-investments based on a range of factors, including but not limited to, the co-investor's:

- Ability to enhance the value of the investment;
- Ability to make timely, binding decisions;
- Ability to participate in follow-on financing rounds;
- Ability to make investments of scale;
- Impact on tax, regulatory, legal and similar considerations;
- Prior co-investment experience;
- Other factors the Firm deems appropriate, including the opportunity to further a relationship that may have indirect long-term benefits to a Fund, a future Fund or the Warburg Pincus brand.

Such co-investments will generally be limited to the capital invested in the applicable portfolio company and may not bear the expenses associated with developing and consummating the investment opportunity or post-closing monitoring expenses, in each case not reimbursed by the portfolio company. Where a proposed transaction is not consummated, typically no co-investment vehicle will have been formed, and no co-investor participation will generally have been confirmed. In such cases, the full amount of any broken deal expenses relating to any such proposed transaction would generally be borne by the Fund.

Transactions Between Warburg Pincus Funds

On occasion, Warburg Pincus may determine that it is in the best interests of a particular Fund and another Fund that the particular Fund should invest in an existing portfolio company of another Fund. Generally such transactions would be subject to the approval of the Advisory Committees of the relevant Funds. In addition, portfolio companies of a Fund may engage in transactions in the ordinary course of their respective businesses with other portfolio companies of a Fund or other investment funds sponsored by Warburg Pincus.

Potential Conflicts in Calculation and Allocation of Certain Partnership Costs and Expenses

The governing documents of a Fund provide that the Fund will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of Warburg Pincus (see Item 5. Fees and Expenses, *Fund Expenses* for more information). To the extent possible, third-party expenses incurred in connection with consummated transactions will be borne by the respective portfolio companies. While Warburg Pincus does not charge any fees for its employees who provide capital markets, IT, communications or other shared services for the benefit of portfolio companies, its out-of-pocket expenses are generally reimbursed by the applicable portfolio company or Fund. A conflict of interest could arise in the determination by Warburg Pincus whether certain costs or expenses that are incurred in connection with the operation of a Fund meet the definition of partnership operational expenses for which a Fund is responsible, or whether such expenses should be borne by Warburg Pincus. A Fund will be reliant on the determinations of Warburg Pincus in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between a Fund and the other Warburg Pincus funds and any other affiliates of Warburg Pincus. There can be no assurance that errors will not arise in such allocations.

Item 12. Brokerage Practices

Our investment strategy typically involves making direct long-term investments in companies on behalf of our Funds. As such, the Firm does not routinely trade public securities on behalf of Funds. Our utilization of

broker/dealers and investment and commercial banks (“Securities Firms”) most often involves exiting a portfolio company investment either in an underwritten offering or through open market sales, or to advise us in the purchase or sale of an investment. From time to time we will also invest in a company through a private placement or underwritten offering or accumulate or add to a position through open market purchases. We have discretionary authority to select Securities Firms to act on behalf of our Funds, and may have significant influence with respect to a portfolio company’s selection of Securities Firms in connection with capital markets transactions.

Each Fund’s governing documents generally restrict the ability of the Firm to invest in a portfolio company for more than one Fund (other than companion Funds). From time to time, however, subject to the Firm’s policies and procedures and the applicable Funds’ governing documents, the Firm may cause more than one Fund to invest in the same portfolio company. From time to time, we may engage a Securities Firm to purchase or sell the same securities on behalf of more than one Fund. When practicable, the Firm will dispose of shares held in separate Funds side-by-side at the same time. The Firm, however, is not required to do this. Securities trades across multiple Funds that are not aggregated may be subject to higher transaction costs than if they had been aggregated.

The Firm selects Securities Firms on a “best execution” basis. Best price, after giving effect to commissions and transaction costs, is a factor in this decision, but the Firm takes into account many other factors of best execution for a specific transaction, including reputation, creditworthiness and financial stability of the Securities Firm, the quality of services, such as market-making, distribution and execution, clearing and settlement and research as well as the Firm’s business relationship with the Securities Firm. Accordingly, transactions may not be executed at the lowest available price or commission.

The Firm has no formal arrangements with Securities Firms to receive research or other products or services other than execution, and the Firm does not have any soft dollar or commission sharing agreements in place that would require the Firm to provide any specified amount of brokerage business to a Securities Firm. The Firm, however, receives research reports from paid subscription services as well as free of charge from Securities Firms that may provide or seek to provide services to the Firm, the Funds or portfolio companies. Any information received from Securities Firms is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. When the Firm receives research or other information from a Securities Firm free of charge, it could be viewed as receiving a benefit it does not have to pay for, and the Firm could be viewed as having an incentive to select or recommend a Securities Firm for a transaction on behalf of a Fund or portfolio company based on its interest in receiving such benefits rather than on receiving most favorable execution.

The Firm’s Capital Markets group manages our relationships with Securities Firms, and monitors the capital markets for opportunities for our Funds and portfolio companies.

Item 13. Review of Accounts

As discussed above in Item 8. Methods of Analysis, Investment Strategies and Risk of Loss, investments are reviewed at least quarterly by our Executive Management Group, and are discussed at the Firm’s regular quarterly review meetings. Investors in our Funds receive written annual reports with audited financial statements, and quarterly unaudited financial statements.

Item 14. Client Referrals and Other Compensation

The Firm does not participate in arrangements with non-Clients that result in the Firm receiving an economic benefit for providing investment advice or other advisory services to its Clients. Neither the Firm nor any of its related persons compensate any person that is not a supervised person of the Firm for Client referrals.

Item 15. Custody

Pursuant to applicable regulation, we are considered to have custody of cash and securities of our Funds. We maintain such cash and securities with independent qualified custodians.

Our Funds are audited annually by Ernst & Young LLP, which is registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and audited financial statements are delivered to investors in our Funds.

Item 16. Investment Discretion

Our affiliates serve as general partners of the Funds. Along with our own capital commitments to our Funds, we invest and manage third party investors' capital contributions to our Funds on a discretionary basis in accordance with the investment objectives, guidelines and restrictions set forth in each Fund's offering and/or governing documents. Our discretionary authority is contractually established pursuant to our Funds' governing documents. Such authority remains in effect throughout the life of a Fund and may only be terminated in limited circumstances. Our Funds' governing documents typically set certain limits on investments such as concentration limits and geographic sub-limits.

Item 17. Voting Client Securities

We have discretionary authority to vote the securities held by our Funds pursuant to our Funds' governing documents. Our policy is to vote securities or proxies in the best interests of our Funds, consistent with our investment advisory mandate to maximize our Funds' long-term investment returns.

It is common, and our investors anticipate, that the investments we select for our Funds will include representation on a portfolio company's board of directors in order to enhance the Firm's oversight and ability to influence the strategic direction of the portfolio company. Given our participation in board matters, our Funds' best interests are most often served by voting in support of the recommendations of the portfolio company's board of directors.

If a conflict of interest should arise with respect to a proxy vote, the Firm will independently review and evaluate the proxy proposal and the circumstances surrounding the conflict to determine the vote that would be in the best interest of the Funds. Certain conflicts of interest may be presented to the Advisory Committee of the applicable Fund, which consists of representatives of certain investors in the Fund.

Additionally, we believe that the Firm's interests and those of our Funds are aligned through our own investment in the Funds, and we do not anticipate a situation where our interests would conflict with maximizing long-term investment returns for the Funds.

Clients may obtain information about how the Firm voted proxies on their behalf or more information about our proxy voting policies by written request to our Chief Compliance Officer at Warburg Pincus LLC, 450 Lexington Avenue, New York, NY 10017.

Item 18. Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our Clients. We have not been the subject of a bankruptcy petition within the preceding ten years.