

**Item 1. Cover Page**

**NEW 2ND CAPITAL ADVISORS, L.P.**

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Part 2A of Form ADV: Firm Brochure  
March 28, 2019

**This brochure provides information about the qualifications and business practices of New 2ND Capital Advisors, L.P. If you have any questions about the contents of this brochure, please contact us at [info@new2ndcapital.com](mailto:info@new2ndcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about New 2ND Capital Advisors, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Since New 2ND Capital Advisors, L.P.'s last Form ADV Part 2A filed August 20, 2018, certain changes have been made, including updates regarding fees and expenses, risks, and conflicts of interest.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

For purposes of this brochure, the “Adviser” means New 2ND Capital Advisors, L.P., a Delaware limited partnership, together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. Such affiliates may or may not be under common control with New 2ND Capital Advisors, L.P., but possess a substantial identity of personnel and/or equity owners with New 2ND Capital Advisors, L.P. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as general partners of the Funds.

The Adviser provides investment supervisory services to investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds make primarily long-term private equity and equity-related investments. In accordance with the Funds’ respective investment objectives, the Funds are generally focused on investments through secondary transactions with a focus on North American middle market companies. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser may serve as the investment adviser or general partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an “Advisory Agreement”).

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund, Advisory Agreements and/or side letter agreements negotiated with investors in the applicable Fund (such documents collectively, a Fund’s “Organizational Documents”).

The principal owners of New 2ND Capital Advisors, L.P. are Tjarko Hektor and James Daniel Townsend. The Adviser has been in business since 2016. As of December 31, 2018, the Adviser manages a total of \$294,121,529 of client assets, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund, and/or its portfolio investments may also make other payments to the Adviser or its affiliates for services provided to the portfolio investments which, in certain circumstances, may reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the Organizational Documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio investments. Further details about certain common fees and expenses are set forth below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital or remaining invested capital, with respect to such Fund. Advisory Fees may be reduced during the life of a Fund. Advisory Fees paid by a Fund may also be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Fund’s activities and investments, or by certain excess organizational or other expenses borne by such Fund, as described in more detail below. Advisory Fees paid by a Fund are indirectly borne by investors in such Fund.

Advisory Fees are payable quarterly in advance.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser and are set forth in such Fund’s Advisory Agreement and/or the Organizational Documents received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions described herein are generally subject to modification, waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Certain investors in the Funds that are employees, business associates and other “friends and family” of the Adviser or its personnel (“Adviser Investors”) will not typically pay Advisory Fees in connection with their investment in a Fund. Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will pay for their pro rata share of certain Fund expenses or the pro rata portion of such Adviser Investors’ expenses will be allocated to the Adviser or the general partner of the applicable Fund.

The Advisory Fees paid by a Fund will generally be reduced by a percentage of: (1) the fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund’s Organizational Documents and/or (2) certain Other Fees (as defined below) received by the Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the Advisory Agreement and/or Organizational Documents of the applicable Fund. To the extent a reduction relates to more than one Fund, the Adviser shall allocate the resulting

Advisory Fee reduction among the applicable Fund(s) in proportion to their interest (or prospective interest) in the portfolio investment. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds. Generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees will be retained by the Adviser and such amounts will not offset any Advisory Fee.

Upon termination of an Advisory Agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

## **Other Fees**

### *Fees Payable by the Portfolio Investments*

The Adviser and its affiliates may perform transaction-related, financial advisory, merchant banking, consulting and other services for, and receive fees from, actual or prospective portfolio investments or other investment vehicles of the Funds, including fees in connection with structuring investments in such portfolio investments, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, divestments or other dispositions and similar transactions with respect to such portfolio investments (“Transaction Fees”).

The Adviser and its affiliates may also from time to time receive monitoring fees pursuant to monitoring agreements with portfolio investments of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio investments (“Monitoring Fees”). The terms of a monitoring agreement may include (among other things) annual automatic renewals, and the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric).

In addition, the Adviser and its affiliates may receive fees in connection with serving on the board of directors of a portfolio investment (“Director Fees”) and in connection with an unconsummated transaction, (“Break-Up Fees” and, together with Transaction Fees, Monitoring Fees and Director Fees the “Other Fees”). The amount and timing of Break-Up Fees received by the Adviser or its affiliates are generally specified in the agreement or other documentation governing the transaction.

Generally, under the terms of the applicable Organizational Documents, for purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Other Fees may be substantial and may be paid in cash, in securities of the portfolio investments or investment vehicles (or rights thereto) or otherwise. As described above, although Other Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Advisory Agreement and/or Organizational Documents of the applicable Fund. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

The payment of Other Fees by portfolio investments will, in some, but not all, circumstances create a conflict of interest between the Adviser and its affiliates and the Funds and their investors because the amounts of these Other Fees and reimbursements (see “*Expense Reimbursement*”) below can be substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio investments, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to all investors in the Funds.

From time to time, the Adviser will, in its discretion, disclose to an investor the amount of Other Fees allocated to the Fund in which such investor has invested in account statements or other similar periodic reports delivered to investors.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio investment. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio investment.

#### *Payments Made to Third Parties*

The Adviser and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of the Adviser and who may, from time to time, receive payments from, or allocations with respect to, portfolio investments and/or other entities. In such circumstances, the amounts of such fees or other compensation received by such persons are generally retained by such persons and will not be deemed paid to or received by the Adviser and its affiliates and such amounts will not be subject to the sharing arrangements described above and will not benefit the Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see “*Providers of Operations Support*” in Item 11 below.

#### *Expense Reimbursement*

Additionally, a portfolio investment will, from time to time, reimburse the Adviser for expenses, including without limitation, travel and travel-related expenses, and meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio investment management, customers, clients, borrowers, brokers and service providers), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio investment personnel), expenses relating to hiring portfolio investment personnel (including background checks, recruiting and relocation expenses), indemnification expenses, certain legal expenses and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses, incurred by the Adviser in connection with its performance of services for such portfolio investment; such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Organizational Documents, and such reimbursements are not subject to the sharing arrangements described above. For a discussion of material conflicts of

interest created by the receipt of such fees and reimbursements, please see Item 11 below. As used throughout this brochure, “travel and “travel-related” expenses shall be deemed to include, without limitation, commercial and non-commercial transportation costs (including first class or business class travel and private car travel), lodging and accommodations.

## **Expenses**

### *Adviser Expenses*

To the extent provided in the Advisory Agreements and the Organizational Documents of the Funds, the Adviser will pay out of Advisory Fees certain expenses and costs associated with the performance of its services, including expenses on account of rent, utilities, office supplies, office equipment, compensation and expenses of its partners, officers and employees (other than Carried Interest described in Item 6 below or expenses incurred by such persons or entities that may be reimbursed under the Organizational Documents of the Funds) and other normal and routine administrative expenses relating to the services and facilities provided by the Adviser to the Funds.

Expenses that would otherwise be payable by the Adviser may be reduced through the use of “soft” or commission dollars, as discussed in Item 12 below.

### *Fund Expenses*

Consistent with the Organizational Documents of the Funds, each Fund will bear all other expenses relating to it to the extent not borne by its portfolio investments, including all travel, travel-related and accommodations expenses (including entertainment expenses incurred in connection with the Funds’ fundraising and investment activities, premium meals, social and entertainment events (with portfolio investment management, customers, clients, borrowers, brokers and service providers)), printing, legal, accounting, valuation, filing, marketing, information technology systems and other expenses incurred by a Fund, a general partner, the Adviser or their affiliates in connection with the start-up and organization of the applicable Fund or general partner and the marketing of, and offering and sale of, interests in the applicable Fund; legal, accounting, financial, audit, certification, investment banking, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio investment), brokerage, sale, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), and other third party fees and expenses relating to the administration and operation of a Fund; fees paid to third-party valuation agents for valuations, appraisals or pricing services; administration fees (including maintaining the books and records of a Fund, related internal costs that the Adviser may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee a Fund’s books and records and the costs of preparing, printing and distributing reports and all other expenses incurred in connection with reporting to the limited partners of a Fund (including costs associated with reporting portals)); fees and expenses related to research and other information (including data and information service subscriptions, related systems and services from data providers and data management software); fees and expenses of third party diligence software and service providers, subject and industry-matter experts; brokerage, finders’ (including commissions and discounts incurred by a Fund in connection with such Fund’s operations, activities, investments or business), custody and transfer



fees and expenses; registration fees and similar expenses; advisory board fees and expenses (including set-up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related expenses); information technology system costs and expenses (including the costs of developing, implementing and maintaining computer software and hardware and other technological systems for the benefit of a Fund, its investors, or a portfolio investment or potential investment); expenses incurred in connection with meetings of the partners of a Fund (including set-up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related and other expenses); financing, commitment, origination and similar fees and expenses, and all amounts paid in connection with hedging transactions; all insurance premiums relating to the indemnity or insurance policies maintained by the a Fund, any parallel investment vehicle, a general partner or the Adviser, including all insurance premiums related to general partner liability, errors and omissions, or other insurance and extraordinary administrative or operating expenses, including, without limitation, all litigation and indemnification costs and expenses, including insurance of which the Adviser and its affiliates are beneficiaries, judgements and settlements; cyber-security insurance premiums; principal and interest and other expenses on funds borrowed by a Fund, expenses of loan servicers and other service providers; taxes, fees or other government charges; all reasonable tax preparation, mailing and postage, facsimile, printing and insurance expenses; expenses related to attending trade association meetings, conferences or similar meetings in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated), Operations Expenses (as defined in Item 11 below); risk management assessment expenses, expenses associated with a Fund's compliance with applicable laws and regulations, including regulatory filings as they relate to the Fund's activities, out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Fund or the Adviser that are attributable to the operation of such Fund or requested by one or more investors in a Fund (including any audit by a regulatory authority and compliance with the Alternative Investment Fund Managers Directive); expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions or any Fund-related agreements and the costs associated with any amendments, modification, revisions or restatements to any Fund-related agreement; any management fee or other amounts payable with respect to an agreement with the Adviser; all expenses of liquidating, dissolving and terminating a Fund or a general partner; all reasonable expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund; fees, costs and expenses related to the organization or maintenance of any intermediate entity used to acquire, hold or dispose of any investment or otherwise facilitating a Fund's investment activities; such Fund's allocable share of expenses and fees generated in the course of evaluating potential investments, including investments which are not consummated, including legal expenses incurred in connection with claims or disputes related to unconsummated investments (including expenses that would have been borne by co-investment vehicles); all fees, costs and expenses for proposed investments that are not ultimately made (including travel and accommodation expenses, all fees, costs and expenses of any legal, financial, accounting, consulting or other advisors; all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment that is not ultimately made; and any fee, deposit or down payments of cash or other property which are paid or forfeited in connection with a proposed investment that is not ultimately made); such Fund's allocable share of expenses and fees incurred in the course of making, developing, negotiating, structuring trading, settling, monitoring, holding

and disposing of investments (including due diligence costs and expenses and travel and accommodation expense); expenses associated with a Fund, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such Fund in connection with such Fund's operations that are not specifically set forth above as being paid by the Adviser.

In addition, the Adviser, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to Fund, which services may include coordination of the Funds' legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting with which the Funds are required to comply. In certain instances, employees of such service providers dedicate substantially all of their time to the Funds or spend all or a significant majority of their business time at the Adviser's offices. These expenses related to such service provider employees are borne by the Funds.

From time to time, the general partner of a Fund may create certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the Organizational Documents of the Fund, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV. Expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund.

#### *Co-Investment Vehicle Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making an investment.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction ("Dead Deal Costs") would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction (including reverse termination fees, extraordinary expenses such as litigation costs and judgements and other expenses). Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of Break-Up Fees received in connection with such an unconsummated transaction. As a general matter, no co-investor or co-investment vehicle will bear Dead Deal Costs or receive any portion of Break-Up Fees until they are contractually committed to invest in the prospective investment or unless there is a written agreement stating otherwise.

### *Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund or, expenses may be allocated among multiple Funds and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons derives, directly or indirectly, a higher fee, compensation or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

To the extent not allocated to a portfolio investment, the Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Funds in accordance with each Fund's Organizational Documents or, to the extent not addressed in such Organizational Documents, pro rata based on the respective total capital commitments of such Funds.

The appropriate allocation between Funds, Adviser Investors and Third Parties of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith discretion, consistent with the Organizational Documents of the Funds, as applicable. If multiple Funds evaluate a potential investment that is not consummated, the Adviser generally allocates fees and expenses generated in the course of evaluating such investment among such Funds *pro rata* based on such Fund(s) participation in an investment opportunity (or anticipated commitment in such investment opportunity). Such expenses typically may be allocated to co-investment vehicles. There may be occasions when one Fund (the "Payor Fund") pays an expense common to multiple funds (the "Allocated Funds") (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), co-investment vehicles, Adviser Investors and/or Third Parties, as appropriate, to the extent not addressed in the Organizational Documents of a Fund, the Adviser will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such

advisers and consultants are paid compensation or other fees. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described above.

### **Carried Interest Payments**

Please see Item 6 below regarding “Carried Interest” that Funds may pay.

### **Brokerage Fees**

Although the Adviser does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to certain Funds a portion of the profits of each such Fund is allocated to the capital account of its general partner, if any, as “carried interest” (the “Carried Interest”). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no Carried Interest.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) may create an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated by contractual provisions and procedures setting forth investment allocation requirements. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.

### **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole

discretion permit investments below the minimum amounts set forth in the Organizational Documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Adviser is focused on investing in middle-market companies through complex secondaries private equity transactions. Targeted transactions typically range in size between \$10 million and \$100 million, can include spin-outs, acquisitions of cornerstone positions, portfolios of co-investments and direct investments and fund restructurings, and typically have higher levels of complexity.

The Adviser expects to source transactions through the networks of the investment team. Qualified opportunities undergo a detailed due diligence process including the underwriting of the manager of the secondaries opportunity and in-depth portfolio investment assessment. This process typically involves several meetings with the manager to review its strategy, organization and track record. In conjunction with the manager review, the Adviser completes a detailed review of historic performance and projections of the portfolio investment, including an assessment of their markets, competitive positions and exit scenarios. During the due diligence process the Adviser will typically have direct access to portfolio investment management teams and materials, including board books and projections, and to the management teams of the key companies.

In parallel with the due diligence, the Adviser focuses on transaction structuring to create a customized solution that is attractive to the seller(s), the manager, and the Funds as buyers. This can be achieved by committing follow-on capital for the portfolio investments, providing liquidity to the seller(s) and a reset of investment terms for the manager. Provided the outcome of the due diligence is positive, the Adviser will present the proposed transaction structure and terms to the seller(s) and the manager in the form of a Letter of Intent (“LOI”). If the LOI is accepted, the Adviser then will focus on finalizing negotiations, legal, tax and other confirmatory due diligence, documentation and closing the transaction.

After closing, the Adviser will monitor its investments closely and maintain a regular dialogue with the manager. In addition, the Adviser expects to frequently have an active portfolio management role through governance provisions, (advisory) board seats, incentive structures and follow-on capital.

### **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

**Risks Associated with Special Situations Secondary Transactions.** The Funds will invest in private equity assets in the secondary market, often through transactions with high levels of complexity (e.g. spin-outs, acquisitions of cornerstone positions, portfolios of co-investments and direct investments, and fund restructurings). These “Special Situations Secondary Transactions” may present additional risks that are not present in primary investment transactions or more traditional secondary interest transactions, such as the difficulty in valuing a Fund’s investments, or the possibility that the interests acquired may be subject to contingent liabilities resulting from activity that transpired prior to the transaction (such as an indemnification obligation in respect of an act or omission occurring prior to the date of the acquisition). Further, such a transaction will frequently be subject to the consent of the sponsor of the relevant underlying fund and other qualification requirements that may make such purchase or a sale of an investment more difficult or, ultimately, prevent it.

Valuation of potential investments may be difficult since there generally will be no established market for such interests. A Fund may also not have the opportunity to as fully negotiate the terms of an investment as it would in a primary fund investment, including any special rights and privileges. Additionally, a Fund generally will negotiate the terms of an investment with the Manager, but may also need to negotiate such terms with an underlying fund’s investors, which may include the need to seek the consent of such investors to amend the terms of the underlying fund’s governing documents or to otherwise approve the transaction. Because of their complex nature, Special Situations Secondary Transactions may involve higher transaction costs and also may present greater regulatory risks. Moreover, the purchase price of an investment will be subject to negotiation with the sellers of the applicable interests and may, in certain cases, include a Fund’s assumption of certain contingent liabilities resulting from activity that transpired prior to the investment (such as an indemnification obligation in respect of an act or omission occurring prior to the date of the acquisition). The overall performance of a Fund may depend in part on the accuracy of the information available to the Adviser or the applicable General Partner, the acquisition price paid by a Fund and the structure of such acquisitions and a Fund’s ultimate exposure to any assumed liabilities.

A Fund may have the opportunity to acquire a portfolio of investments in a Special Situations Secondary Transaction on an “all or nothing” basis. Certain of the investments in the portfolio may be less attractive than others, and certain of the sponsors or portfolio investments involved in the transaction may be more familiar to the Adviser than others, or may be more experienced or highly regarded than others. It may not be possible for a Fund to carve out from such purchases those investments which the Adviser considers less attractive for commercial, tax, legal or other reasons.

The purchase of an investment may be structured in the form of a swap or other derivative transaction. Such arrangements may involve the Fund taking on greater risk with an expected greater return or reducing their risk with corresponding reduction in the rate of return. Such arrangements may also subject a Fund to the risk that the counterparty will not meet its obligations. If structured as such, the tax consequences of an investment in a Fund may be different than otherwise described herein, including, for example, the amount, timing and character of distributions by a Fund. In addition, a Fund may invest in assets alongside other investors through the use of joint ventures and similar arrangements.

Tax laws in the United States generally require that a partnership's tax basis in its assets be adjusted with respect to a new partner who acquires an interest in such partnership if the partnership has a substantial built-in loss immediately following the transfer. When required, any such adjustment to tax basis could substantially increase the cost of, and the complexity of accounting for, transfers of interests in partnerships. Accordingly, in any such circumstance, it could become significantly more costly for a Fund to acquire an investment.

**Competition for Investments.** The activity of identifying, completing and realizing upon attractive investment opportunities is highly competitive and involves a high degree of uncertainty. A Fund will be competing for investments with other investors having similar investment objectives. Further, over the past several years, an increasing number of private equity funds have been formed (and many such existing funds have grown substantially in size), and additional funds with similar investment objectives may be formed in the future. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to a Fund and adversely affecting the terms upon which investments can be made. There can be no assurance that a Fund will be able to identify, complete and realize upon investments that satisfy its investment objective, or that it will be able to invest fully its committed capital.

**Portfolio Investment Risk.** The portfolio investments in which a Fund directly or indirectly invests may involve a high degree of business and financial risk. Portfolio investments may be in early stages of development, may have operating losses or significant variations in operating results and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Portfolio investments may also include companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. In addition, they may have weak financial conditions and may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive positions. Portfolio investments may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial and technical personnel.

Many of the portfolio investments may be highly leveraged, which may impair their ability to finance their future operations and capital needs, and may result in restrictive financial and operating covenants. As a result, such companies' flexibility to respond to changing business and economic conditions and to business opportunities may be limited. In addition, in the event that such companies do not perform as anticipated or incur unanticipated liabilities, high leverage will magnify the adverse effect on the value of the companies' equity and could result in substantial diminution in, or the total loss of, equity investments in such companies.

**Leverage.** To the extent a Fund or a manager borrows money or otherwise utilizes leverage at a fund or portfolio investment level, the favorable and unfavorable effects of changes in valuations of such funds and portfolio investments will be magnified. Certain of the funds or portfolio investments in which a Fund directly or indirectly invests may have significant borrowings and/or other leverage. While investments in leveraged funds and portfolio investments offer the opportunity for capital appreciation, the leveraged capital structures of such funds and portfolio

investments will increase their (and thus a Fund's) exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the affected companies or their industries. In addition, in the event any fund or portfolio investment cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital investment in such fund or portfolio investment. U.S. tax-exempt limited partners should note that the use of leverage by a Fund may generate "unrelated business taxable income" ("UBTI") and should refer to the discussion in Organizational Documents of the applicable Fund.

**Illiquidity of Investments.** Contractual limitations will typically restrict the ability to transfer its investments without the consent of the applicable managers of those entities. The securities or other financial instruments or obligations of portfolio investments generally will have no public market or be restricted as to their transferability under the laws of the applicable jurisdiction. In some cases, sales or other dispositions of portfolio investments or other assets may also be prohibited by contract for a period of time or otherwise be restricted. Portfolio investments may also require a substantial amount of time to liquidate. Consequently, there is a significant risk that such portfolio investments or the funds which hold interests in such portfolio investments will be unable to realize their respective investment objectives by sale or other disposition of their securities or other assets at attractive prices, or will otherwise be unable to complete any exit strategy. These risks can be further increased by changes in the financial condition or business prospects of such portfolio investments, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which portfolio investments are located or in which they conduct their business. In addition, the illiquid nature of funds and portfolio investments in which a Fund invests may result in such Fund not realizing all of its investments prior to the expiration of the term of such Fund.

**Reliance on Managers; Non-Controlling Interests.** Although a Fund will seek governance rights with respect to many of its investments, a Fund is not expected to have the right to participate in the day-to-day management, control or operations of the investments, nor will it often have the right to unilaterally remove the managers thereof. Managers may have different interests than a Fund or the limited partners of such Fund, such as different compensation structures. A Fund also will not necessarily have the opportunity to evaluate the relevant economic, financial and other information which the managers utilize in selecting, structuring, monitoring and disposing of their portfolio investments. Although each Funds intends to monitor the managers, the success of such Fund's underlying investments and, indirectly, the Fund, will be substantially dependent upon the capabilities and performance of the managers.

**Unspecified Investments.** Although the Adviser has identified certain investment opportunities, each Fund has not identified particular investments that it will pursue. Accordingly, an investor must rely upon the ability of the Fund's General Partner and the Adviser to identify and make investments consistent with such Fund's investment objectives and policies. A Fund may be unable to find a sufficient number of attractive opportunities to invest its committed capital or meet its investment objectives. Further, there can be no assurance that what is perceived by such Fund's General Partner and the Adviser as an attractive investment opportunity will not, in fact, result in substantial losses due to one or more of a wide variety of factors.



**Due Diligence Risk.** The Adviser conducts due diligence in connection with investment opportunities. The Adviser's due diligence process may not reveal all facts that may be relevant in connection with an investment made by the Fund. In some cases, only limited information is available about a prospective investment or its underlying portfolio investments. There can be no assurance that the due diligence investigations undertaken by the Adviser will reveal or highlight all relevant facts that may be necessary or helpful in evaluating a particular investment opportunity, or that the Adviser's due diligence will result in an investment being successful.

**Risk of Syndication Activity.** A Fund may make one or more investments in an amount in excess of such Fund's standard allocation and seek to syndicate a portion of such investment after the closing of such investment to other investors, including, without limitation, other entities managed by the Adviser, such Fund's limited partners and other third parties. If the Adviser is unable to syndicate such investments it is possible such Fund may be required to keep such investments resulting in an investment allocation greater than what the Adviser considers appropriate for the Fund.

**Concentration/Lack of Diversification.** Although the Adviser will seek to diversify a Fund's investment portfolio, a Fund will participate in a limited number of investments and will make investments with a limited number of managers, and may seek to make several investments in one industry or geographic sector. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect such Fund's aggregate return. Various factors, including prevailing market conditions, available investment opportunities, the timing of a Fund's investments, failed syndication efforts and the size of the Fund may prevent the Adviser from diversifying a Fund's portfolio or may result in such Fund's portfolio being less diversified than the Adviser may wish. For these and other reasons, a Fund could potentially be concentrated in relatively few investments, regions or industries, and thus the benefits of diversification may not be realized. Because of the length of time typically needed to construct a private equity portfolio, such Fund's portfolio initially will not be diversified.

**Hedging.** The Funds and the funds and portfolio investments in which the Funds directly or indirectly invest may, but are generally not required to, employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Further, there can be no assurance that a Fund or its direct or indirect investments will engage in such hedging transaction at any given time or from time to time or that such hedging transactions will be available or be available at a reasonable cost, or that such hedging transactions will be effective and actually eliminate the applicable interest rate, securities price or currency risk. Thus, while a Fund may benefit from the use of these hedging mechanisms (when available), unanticipated changes in interest rates, securities prices, or currency exchange rates may exacerbate any negative impact on the Fund and result in a poorer overall performance for such Fund than if it or its direct or indirect investments had not entered into such hedging transactions.

**Risks Relating to Disposition of Portfolio Investments.** In connection with the disposition of a portfolio investment, a Fund or the underlying fund that holds interests in a portfolio investment

may be required to make representations about the business and financial affairs of such portfolio investment typical of those made in connection with the sale of any business. Such Fund or such underlying fund may also be required to indemnify the purchasers of such investment in such portfolio investment to the extent that any such representations or warranties turn out to be inaccurate or misleading. These arrangements may result in direct or indirect liabilities for a Fund depending upon recontribution obligations owed to the underlying fund.

**Investments Longer than Term.** Certain of a Fund's investments may not be disposed of in an advantageous manner prior to the date that the Fund will be dissolved, either by expiration of such Fund's term or otherwise. In addition, a Fund's investments may be held with a stated term later than such dissolution date. A Fund may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of dissolution. No assurance can be given in any such circumstances that such Fund will have received a return of its invested capital or that the Fund will otherwise be able to exit its investments by sale or other disposition (at attractive prices or at all).

**Third Party Involvement; Co-Investments.** A General Partner may from time to time, subject to any requirements agreed to, and set forth in certain side letters or similar agreements or as otherwise determined by such General Partner, offer to certain limited partners of a Fund, investors in other entities managed by the Adviser, and/or third parties the opportunity to co-invest in certain of the Fund's investments ("Co-Investment Opportunities"). The investors participating in any such Co-Investment Opportunity may pay reduced or no management fee and may be subject to no or reduced carried interest or expense payment obligations with respect to such Co-Investment Opportunity. Specifically, a General Partner may agree to offer certain founding limited partners a right of first refusal over, or other preferential rights with respect to, certain Co-Investment Opportunities. Accordingly, the existence of such right of first refusal or other preferential rights result in other investors receiving fewer or no Co-Investment Opportunities.

A Fund may co-invest with third-parties through partnerships, joint ventures or other entities, including with other private equity funds in so-called "club deals." Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals which are inconsistent with those of the Fund, may take a different view than that of the Adviser as to the appropriate strategy for an investment or may be in a position to take action contrary to the Fund's investment objective. Further, it is possible that no single co-investor will have a controlling interest in the investment, giving no party the ability to control the transaction and potentially resulting in increased costs, delays or even termination of the proposed investment. In addition, because several underlying funds in which a Fund invests may invest in any particular club deal, such Fund may be more exposed to the risks associated with a portfolio investment than it would otherwise prefer. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

**Non-U.S. Investments; Exchange Rate Risk.** A Fund may invest a portion of its assets in investments organized and/or headquartered outside the United States. Non-U.S. securities, including those held by funds in which such Fund invests, 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, the euro and the various other non-U.S. currencies in which non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative liquidity of some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (iv) certain economic 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 non-U.S. taxes on income and gains recognized with respect to such securities. Such factors may adversely affect the value of the Fund's non-U.S. investments and hence the overall value of a limited partner's interest in such Fund.

**Reliance on Adviser and the Senior Investment Team.** The success of a Fund's investments will depend in substantial part on the diligence, skill, expertise and business contacts of, and the information and deal flow generated by, the investment professionals of the Adviser and, in particular, the senior investment team. There can be no assurance that the Adviser's professionals will continue to be associated with the Adviser during the full term of a Fund. The ability of a Fund to achieve its objectives depends on the continued service of these individuals, who are not obligated to remain employed with the Adviser or its affiliates. The market for experienced private equity investment professionals is highly competitive. If the Adviser fails to adequately compensate its investment professionals, in light of such market conditions, one or more of such individuals could cease to work for the Adviser. The loss of one or more of the Adviser's key individuals could have a material adverse effect on a Fund's ability to achieve its investment objectives. Should one or more of these individuals cease to participate in the management of a Fund, its performance could be adversely affected.

**Time and Attention of Personnel.** A General Partner, the Adviser and their affiliates' personnel will devote such time to the activities of a Fund as they determine to be necessary to properly conduct the business affairs of such Fund. However, some personnel will also work on other projects, including the investment activities of other funds and accounts. Conflicts may arise in the allocation of management and personnel resources as among a Fund and such other projects. In the event that any of such personnel ceases to be actively involved with a Fund, such Fund's limited partners will be relying on the ability of such Fund's General Partner and the Adviser to identify and retain other investment professionals to conduct the Fund's business.

**Conflicting Interests of Limited Partners.** A Fund is likely to have a diverse range of limited partners that may have conflicting interests stemming from differences in investment preferences, tax status and regulatory status. A General Partner will consider the objectives of such Fund and each of its respective partners as a whole when making decisions with respect to the selection, structuring, and sale of its investments. However, it is inevitable that such decisions may be more beneficial for one limited partner of a Fund than for another limited partner, creating a risk that

certain limited partners may be subject to costs or results more disadvantageous to such limited partner in relation to other limited partners.

**Recent Financial Market Fluctuations.** In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Funds' investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Funds will be able to exit from their investments in portfolio investments by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio investment may not be sufficiently liquid to enable a Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of their portfolio investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more a Fund's portfolio investments. The ability of portfolio investments to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

**Valuation of Assets.** There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. 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 from values that would have been determined had an active market existed for such securities and will differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by the Adviser may give rise to conflicts of interest, valuations impact the Adviser's track record and the

performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance fees and calculation of Advisory Fees. As a result, it is possible for there to be situations where the Adviser is incentivized to influence or manipulate the valuation of investments.

**Cybersecurity Risk.** The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

Similar types of operational and technology risks are also present for the companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

**Tax Reform Risks.** President Trump signed into law a broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") on December 22, 2017 (the "Tax Act"). There are significant uncertainties regarding the interpretation and application of the Tax Act. While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes to the Code made by the Tax Act and any further changes in tax laws or interpretation of such laws may be adverse to the Funds and their limited partners. In addition, although not free from doubt, the Tax Act subjects allocations of income and gain in respect of entitlements to carried interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. Significant uncertainties remain regarding the application of the provisions of the Tax Act that affect the taxation of carried interest. Enactment of this legislation could cause the Adviser's investment professionals to incur a material increase in their tax liability with respect to their entitlement to carried interest. This might make it more difficult for the Adviser to incentivize, attract and retain these professionals, which may have an adverse effect on the Adviser's ability to achieve the investment objectives of the Funds. In addition, this can create a conflict of interest as the tax position of the Adviser may differ from the

tax positions of the Funds and/or the investors and therefore, these rules may have an additional impact on the investment decisions made by the Funds, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the tax law gives the Adviser an incentive to cause a Fund to hold an investment for longer than 3 years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than 3 years.

#### **Item 9. Disciplinary Information.**

Item 9 is not applicable to the Adviser.

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

##### **Related General Partners**

Various limited partnerships (the “General Partners”) serve as general partners of the Funds, and the Adviser and the General Partners have a commonality of ownership. For a description of material conflicts of interest created by the relationship among the Adviser and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

##### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its partners, officers and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest. Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to James Daniel Townsend at [dantownsend@new2ndcapital.com](mailto:dantownsend@new2ndcapital.com).

## **Participation or Interest in Client Transactions**

Certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the General Partners, as direct investors in the Funds or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in a Fund (including purchasers of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

## **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may, from time to time conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

The Adviser has in the past and may, from time to time in the future establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” may, in certain instances, be contractually required to purchase and sell certain investment opportunities at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Such co-investment vehicles do not pay Advisory Fees or Carried Interest.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Fund;

- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the Funds;
- (3) Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- (4) Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- (5) The Adviser has adopted and implemented certain policies and procedures designated to reduce certain conflicts of interest; and
- (6) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In addition, certain provisions of a Fund's Organizational Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives.

### *Conflicts*

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Clients*

The Adviser aims to allocate investment opportunities in a way that is:

- Fair and equitable to all pooled investment vehicles advised by the Adviser;
- Consistent with all investment allocation requirements set forth in a Fund's Organizational Documents, private placement memorandum, or side letters ("Investment Allocation Requirements");
- Consistent with the policies and procedures set forth in Adviser's Investment Transactions with Affiliates and Allocations Policy.

The Adviser's Investment Committee (the "IC") makes the final determination regarding allocations of investment opportunities and is responsible for maintaining appropriate documentation of all allocation decisions.



For so long as New 2ND Capital Fund I, L.P. (together with any parallel vehicles, “N2C Fund I”) has capital available to make new investments (as determined in accordance with N2C Fund I’s Organizational Documents), investment opportunities will generally be allocated as follows:

1. First, 100% of new investment opportunities that the Adviser determines fall within the investment scope of N2C Fund I (i.e., special situation secondaries in North America) will be allocated to N2C Fund I up to its desired investment size as determined by its general partner and in its sole discretion, taking into account portfolio construction targets and investment restrictions.
2. Thereafter, the Adviser may allocate any remaining portion of such investment opportunity to certain co-investors who are limited partners in N2C Fund I, as determined by the Adviser in a manner consistent with any co-investment allocation requirements agreed to in side letters and as otherwise determined by the Adviser in its sole discretion.
3. Thereafter, the Adviser may allocate any remaining portion of such investment opportunity to other Funds as may be formed from time to time, including without limitation N2C Opportunities Fund, L.P., or to third-party co-investors, in each case as determined by the Adviser in its sole discretion, taking into consideration factors it deems relevant from time to time.

Investment opportunities that the Adviser determines fall outside the investment scope of N2C Fund I may be allocated to N2C Fund I, certain co-investors who are limited partners in N2C Fund I, other Funds or third-parties as the Firm determines in its sole discretion, taking into consideration factors it deems relevant from time to time. As a result, there can be no assurance that a particular Fund will be allocated all opportunities that fall within its investment objectives.

Subject to any Investment Allocation Requirements, in general, (i) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, and no investor in the Funds has a right to participate in co-investment opportunities (ii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of co-investment opportunities than originally requested, and (iii) certain persons other than investors in the Funds (e.g., consultants, joint venture partners, persons associated with a portfolio company and other Third Parties) rather than one or more investors in a Fund, will, from time to time be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (iv) co-investors will generally purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity. Certain investors

have preferential rights to participate in certain co-investments or rights of first refusal with respect to such co-investment opportunities.

In addition, in exercising the Adviser's discretion to decide how to allocate investment opportunities among potential co-investors, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that person or entity (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Funds(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns the Adviser may have that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity;
- The Adviser's evaluation of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of such person or entity to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser and expected amount of negotiations required in connection with a potential co-investment party's commitment;
- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The Adviser's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio investment post-closing;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and

- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to the Funds or future Funds of the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Adviser Investors and Third Parties, and in the manner discussed above often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

The Adviser or its affiliates, from time to time, establishes dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Fund. Any such vehicle will be established at the Adviser or its affiliates' sole discretion and the Adviser and its affiliates have no obligation to offer a similar opportunity to any other investor.

To the extent the Adviser has discretion over granting or withholding consent to a secondary transfer of interests in a Fund pursuant to such Fund's organizational documents, the Adviser may consider the factors listed below as it may deem appropriate under the circumstances in exercising such discretion:

- The Adviser evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's percent of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationship that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- Requirements in such Fund's organizational documents; and
- Such other facts as it deems appropriated under the circumstances in exercising such discretion.

Absent disclosure to the contrary, the Adviser shall not solely consider a purchaser's potential investment into another Fund in determining whether to grant or withhold consent to a secondary transfer of interests in a Fund.

### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities may be appropriate for Funds at the same, different or overlapping levels of a portfolio investment's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio investment. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. In the event that one Fund has a controlling or significantly influential position in a portfolio investment, it will have the ability to elect some or all of the board of directors of such portfolio investment, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such an investment. Such management and operational decisions may, at times, be in direct conflict with other Funds that have invested in the same portfolio investment that do not have the same level of control or influence over the portfolio investment.

Certain clients of the Adviser and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser.

In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio investment of another Fund. Investments by more than one client of the Adviser in a portfolio investment may also raise the risk of using assets of a client of the Adviser or support positions taken by other clients of the Adviser, or that a client may remain passive in a situation in which it is entitled to vote. The Adviser may also express inconsistent or contrary views of commonly held investments or of market conditions more generally. The applicable Fund's Organizational Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Funds in different classes of an issuer's capital structure (as well as

across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser may consider some or all of the factors listed above under “*Allocation of Co-Investment Opportunities and Secondary Transactions*”. The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Organizational Documents of the applicable Fund(s).

A Fund may sell down an interest in its portfolio investments to co-investors. Subject to the Organizational Documents, the Adviser may charge (or may decide not to charge) a co-investor (such as a Fund Investor or an individual or entity that is not an investor in any Fund (“Third Party”)) interest costs for the time period between the closing of the applicable Fund’s investment in a portfolio investment to the date of the transfer of interests in such portfolio investment to the applicable co-investor.

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio investment, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a potential portfolio investment is not consummated, it will pay a percentage of the total value of the transaction as a “reverse termination fee” to the seller entity. While certain co-investment vehicles with investments contractually tied to the Fund (including co-investment vehicles through which employees of the Adviser participate) are generally obligated to pay their proportionate share of the equity purchase price and/or the reverse termination fee (whether pursuant to the applicable Funds’ Organizational Documents or otherwise), such co-investment vehicles are

generally not direct parties to the equity commitment arrangements or limited guarantees. Therefore, in the unlikely event that a co-investment vehicle defaults on such arrangement, the Fund would be held responsible for the entire equity purchase price or reverse termination fee, as applicable.

The Funds, from time to time, co-invest with third-parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks that would not otherwise be present in investments where a third-party is not involved. Such risks include, among other things, the possibility that the third-party may have differing economic or business goals than those of the Fund, or that the third-party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third-party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

### *Cross-Transactions*

In certain cases, the Adviser may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) will, from time to time have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Organizational Documents of certain Funds may provide for the rebalancing of investments at certain times and at a cost set forth in those Organizational Documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund). To the extent such matters are not addressed in the Investment Allocation Requirements, the IC, in consultation with the Adviser's Chief Compliance Officer, will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions, including the advisory board of applicable Funds to the extent required in such Fund's governing documents.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with the Adviser’s management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the Organizational Documents of the Funds generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

### *Management of the Funds*

The Adviser manages a number of Funds that may have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See “*Allocation of Investment Opportunities Among Clients*” above. The Adviser may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies may not hold the same securities or achieve the same performance. In addition, a Fund may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Fund. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

The Adviser may consider, and reject an investment opportunity on behalf of one Fund and, the Adviser or an affiliate of the Adviser may subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund or funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

In addition, the Adviser receives and generates various kinds of portfolio investment data and other information, including related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf of one Fund's investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. The Adviser from time to time enters into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser has, and is likely in the future, in certain instances to use this information in a manner that may provide a material benefit to the Adviser, its affiliates, or to certain other Funds without compensating or otherwise benefitting the Fund or Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. The Adviser has in the past and is likely in the future to utilize such information to benefit the Adviser, its Affiliates or certain Funds in a manner that may otherwise present a conflict of interest but does not intend to specifically disclose such conflicts to the relevant Funds.

The Funds will, from time to time enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds will be held responsible for the defaulted amount. The Funds will only enter into such joint and several borrowing arrangement when the Adviser determines it is in the best interests of the Funds.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio investment in which another Fund has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio investments in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Conflicts Relating to the General Partner and the Adviser*

The Adviser generally may, in its discretion, contract with any related person of the Adviser (including but not limited to a portfolio investment of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.



The Adviser generally may, in its discretion, recommend to a Fund or to a portfolio investment thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio investment of a Fund) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser, because of its financial or other business interest, may have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and partners, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Funds. Officers, principals and employees of the Adviser may also buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Adviser personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Adviser personnel will not share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. In addition, officers and employees may also buy securities in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds. The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments. While the significant interests of the officers and employees of the Adviser generally aligns the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity).

Because certain expenses are paid for by a Fund and/or its portfolio investments or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio investments, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio investments to incur) such expenses.

#### *Fee Structure*

Because there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of many Funds are entitled to Carried Interest under the terms of the Organizational Documents of such Funds. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest may create an incentive for the General Partners to cause such Funds to make more speculative

investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by the Adviser or its affiliates in a Fund, the clawback obligation of the General Partner (as described below) and the fact that the preferred return is calculated on an aggregate basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of the Adviser's personnel.

Pursuant to the Organizational Documents, the General Partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the General Partner.

### *Fund Level Borrowing*

The Funds from time-to-time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses, to pay management fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the general partner. In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio investments of such Funds, in which case such borrowed funds would be guaranteed by such Funds.

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While the Fund will bear the expense of borrowed funds, such borrowings can also increase the carried interest received by the Fund's General Partner by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner may receive disproportionate benefits from such borrowings.

Borrowing by the Fund will generally be secured by capital commitments made by the limited partners of a Fund to the Fund and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by the Fund may cause the realization of UBTI.

### *Providers of Operations Support*

The general partner and the portfolio investments will from time to time retain other companies and individuals ("Operations Support Providers"), which may be affiliates of the general partner,

employees of such affiliates, portfolio investments of other of the Adviser's funds, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members), "operating partners" or "senior advisors". The Operations Support Providers are engaged to provide operational support, due diligence, research, sourcing, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio investments in relation to the identification, acquisition, holding, improvement and disposition of such portfolio investments ("Operations Support Services"). These services may be high level insight or extensive day-to-day roles, and may include support to the general partner on behalf of the Funds, or portfolio investments regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. The nature of the relationship with each such Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. Certain Operations Support Providers may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio investments. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. Operations Support Providers may be offered the ability (or may have a preferred right) to co-invest alongside Funds, including in investments in which such Operations Support Provider is involved or participates in the management thereof.

Pursuant to the Organizational Documents of the Funds, fees and expenses associated with Operations Support Services ("Operations Expenses") may be paid and/or reimbursed by portfolio investments and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) may be determined at the discretion of the general partner taking into account the particular Operations Support Services, may include an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or portfolio investment or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio investment, the invested capital exposed to such portfolio investment, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner, in its discretion, but will generally be based on whether third parties often provide such services to investment advisers or companies. Operations Expenses may also be incurred in respect of portfolio investments prior to the closing of the investment. To the extent services may be provided for the benefit of a Fund, without reference to a particular portfolio investment, Operations Expenses incurred in connection with such services are borne by the Fund. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be

allocated among the Funds as determined by the General Partner or Adviser, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio investment, such Operations Expenses will not reduce any fees otherwise payable to the Adviser or its affiliates. The General Partner's determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Fund and its investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operations Support Provider role, which may shift the burden of compensation such persons from the Adviser to the applicable Fund and/or its portfolio investments.

Although the use of Operations Support Providers and allocation of Operations Expenses paid to them may subject the Adviser and its affiliates to potential conflicts of interest, the Adviser believes any such potential conflicts of interest are mitigated by the expected savings to the portfolio investments (and, in turn, the relevant Fund(s)) that will be applied if the cost of the Operation Support Provider is lower than market rates for the services provided, or if the services provided by the Operations Support Providers are consistent with the business strategy the Adviser has for the relevant portfolio investment.

#### *Diverse Membership*

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

#### *Business with Portfolio Investments and Investors*

Given the collaborative nature of the Adviser's business and the portfolio investments in which the Funds have invested, there are often situations where the Adviser is in the position of recommending the services of a portfolio investment to other portfolio investments of the Funds, which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio investment. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio investments for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio investments held by the Funds. The benefits received by a portfolio investment providing a service may be greater than those received by the Fund(s) and its portfolio investments receiving the service.

The Adviser may have an incentive to recommend the products or services of certain investors or prospective investors in the Funds, certain Third Parties, or their related businesses to the Funds or their portfolio investments for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio investments.

Portfolio investments controlled by a Fund may provide services to certain Fund investors. The Adviser may have an incentive to cause the portfolio investment to favor those investors relative to other portfolio investment clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio investment's profitability to the Fund. Additionally, the portfolio investment could recommend to its clients or customers that they invest in a Fund.

In addition, certain portfolio investments controlled by a Fund may engage in activities that could adversely affect another Fund and/or its portfolio investment, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio investment being used to satisfy the obligations or liabilities of another Fund or its portfolio investment.

The Advisers and/or its affiliates may engage in business opportunities arising from a Fund's investment in a portfolio investment (for example, without limitation, entering into a joint venture with a portfolio investment or making a proprietary investment in a portfolio investment). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a Fund's portfolio investment competes with, is a customer of, or is a service provider to, another Fund's portfolio investment. In providing advice to a portfolio investment's business, the Adviser is not obligated to, and need not, take into consideration the interests of other relevant portfolio investments or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio investment may have adverse consequences to a separate portfolio investment owned by another Fund. For instance, a portfolio investment may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increasing its own prices or commencing litigation against another portfolio investment.

A Fund's portfolio investments may be counterparties or participants in agreements, transactions or other arrangements with portfolio investments of other Funds managed by the Adviser that, although the Adviser determines to be consistent with the requirements of such Funds' Organizational Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser may in the future cause portfolio investments to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may

be pooled across multiple portfolio investments and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio investments and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio investment, including related to a portion of the savings achieved by the portfolio investment. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio investments due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits on at the same rate as the portfolio investments. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio investments.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The general partner of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

The Adviser and its affiliates may, from time to time hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio investment or service provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest.

#### *Service Providers*

Services required by a Fund (including some services historically provided by the Adviser or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations be outsourced in whole or in part to third parties in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation, deal sourcing, information technology, license software, depository, data processing, client relations, administration, custodial, accounting, legal and tax support and other similar services. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by the Adviser to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future. The costs and expenses of any such third-party service providers will be borne by the Funds.

The Adviser and/or its affiliates may engage certain service providers to provide services to the Adviser, the Funds and/or the portfolio investments, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors in a Fund

or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel pension consultants and/or other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in the Fund. This creates a conflict of interest, as the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Additionally, employees of the Adviser or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships that an Adviser may have with a service provider can influence the Adviser in determining whether to select, or recommend such service provider to perform services for a Fund or a portfolio investment. The Adviser will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. Although the Adviser selects service providers that it believes will enhance portfolio investment performance (and, in turn, the performance of the relevant Fund(s)), there is a possibility that the Adviser, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While the Adviser often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Funds or their portfolio investments.

The Adviser or its affiliates and service providers, often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or its portfolio investments, the Adviser and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio investments. Notwithstanding the foregoing, the Adviser generally does not enter into any arrangement with a service provider that provides for a lower rate or discount than those available to a Fund or a portfolio investment for comparable services.

#### *Positions with Portfolio Investments*

Employees of the Adviser serve as directors of, or observers on boards with respect to, certain portfolio investments. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the Fund, it is expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employees' fiduciaries duties among the two portfolio companies may create a conflict of interest. Such employees are required to remit a portion of remuneration they may receive as directors to the Adviser, which in turn has certain offset arrangements with the applicable Funds. In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio investment.

Decisions made by a director may subject the Adviser, its affiliate or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

From time to time employees of the Adviser may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such employee's employment with the Adviser. Such companies are not portfolio investments of the Fund and as a result, any compensation or fees received by such Adviser employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

Additionally, certain Adviser personnel may be seconded to one or more portfolio investments and provide finance and other services to such portfolio investments and the compensation and expenses for such personnel during the secondment may be borne by the portfolio investments. To the extent the Adviser receives any fees or expense reimbursement from a portfolio investment with respect to such personnel, in the event that employee is not a principal of the Adviser and is spending a material portion of his or her business time in a non-director management role at the portfolio investment, it is expected that they will not result in any offset against the Advisory Fees payable by a Fund.

#### *Side Letter Agreements; Advisory Committee Rights*

The Adviser often enters into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor, the Adviser (or applicable General Partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund.

Generally, each Fund has established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representative of the advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may also be a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory



committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

### *Other Potential Conflicts*

The Organizational Documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Organizational Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio investments or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the Funds and the portfolio investments of the Funds will, from time to time engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, the Funds, and/or the portfolio investments. This may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio investment, or the Adviser receiving a discount on services even though the Funds and/or the portfolio investments receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and/or portfolio investments, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio investments.

The Adviser and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points" or credit in loyalty/status programs to the Adviser and/or its personnel, and such rewards and/or amounts will exclusively benefit the Adviser and/or such personnel and will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio investments.

The Adviser may, in its discretion, in the future have, and may, in its discretion, cause the Funds and/or their portfolio investments to have, ongoing business dealings, arrangements or agreements

with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio investments may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio investments) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors may be introduced to the Adviser, or may be brought in a Fund, by a third-party consultant from which the Adviser or a Related Person purchase products and to which the Adviser or a Related Person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or the Adviser on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

A Fund may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, the Adviser or its related persons. In such a case, investors in such Fund will bear not only the direct management fees and other expenses associated with their investment in the Fund, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to the Adviser or its related persons. Additionally, the interests of the Fund, as an investor, may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for then Adviser.

Certain portfolio companies of the Funds may be counterparties or participants in agreements, transactions or other arrangements with the Adviser, its affiliates, other portfolio companies of the Adviser’s clients, to receive favorable procurement terms, including fees, servicing payments, rebates, discounts or other financial benefits. The Adviser may be eligible to receive favorable terms for its procurement due in part to the involvement of its portfolio companies in such arrangements, and any discounted amounts may not be subject to Advisory Fee offsets or otherwise shared with the relevant Funds.

The Organizational Documents of certain Funds permit, in certain limited circumstances set forth in the Organizational Documents, the General Partner of each such Fund to cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Fund, because the General Partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the General Partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). Furthermore, the General Partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the General Partner, or its affiliates, receive such a distribution, the General Partner will generally act in its own interest with respect to its share of securities and will determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the General Partner shall determine. The ability of the General Partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the General Partner or affiliate, as an adviser to the Fund, and the Fund.

The Organizational Documents of certain Funds permit each such Fund's General Partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information will typically be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12. Brokerage Practices**

As Funds invest primarily in private equity ventures, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio investment, securities held as a result of initial public offerings of portfolio investments, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, the Adviser has, subject to the direction of such Fund's general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such

transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek “best execution” of the transaction. “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser’s Chief Financial Officer, in consultation with the Adviser’s Operating Committee, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser may also consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser’s principals. The Adviser may “pay up” (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer’s brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds’ accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of the Fund. A conflict of interest exists when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

### **Aggregation of Trades**

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower

commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

### **Item 13. Review of Accounts**

#### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio investments of the Funds and generally maintains an ongoing oversight position in such portfolio investments. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes the Investment Committee, the Valuation Committee and other investment professionals of the Adviser.

#### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 160 days after the fiscal year end of such Fund, as well as quarterly performance reports within 90 days after each fiscal quarter end. The Adviser and the applicable General Partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive discounts on products and services provided by portfolio investments of Funds and/or the customers or suppliers of such portfolio investments.

While not a client solicitation arrangement, the Adviser has in the past, and may from time to time in the future engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Such fees are generally paid by the Adviser.

## **Item 15. Custody**

Item 15 is not applicable to the Adviser, as a qualified custodian is not required to send quarterly, or more frequent, account statements directly to the Funds.

## **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or Organizational Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Organizational Documents of the applicable Fund.

## **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund’s holdings, taking into account the relevant Fund’s investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the IC, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser’s Vote.

The Investment Committee will make the decision as to the appropriate vote for any particular Vote. In making such decision, the Investment Committee will take into account the conflicts review of the Adviser’s Chief Compliance Officer (“CCO”) and may rely on any other information and/or research available.

The CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by the Adviser’s CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser’s CCO will use his or her best

judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the Adviser's Compliance Committee deems appropriate in its sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's Compliance Committee shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant IC minutes, identifying how proxies were voted in connection with a Fund, and copies of proxy voting policies are available to any client or prospective client upon written request to the Adviser.

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.