

PART 2A FORM ADV

FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Freeman Spogli Management Co., L.P. If you have any questions about the contents of this brochure, please contact William M. Wardlaw at (310) 444-1822. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Freeman Spogli Management Co., L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

Freeman Spogli Management Co., L.P. is an investment adviser registered with the SEC. Being a “registered investor adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

THIS BROCHURE IS NOT AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES.

Item 2. Material Changes

SECURITIES.

This Form ADV Part 2A (or **“brochure”**), dated March 2019, serves as an update to Freeman Spogli Management Co., L.P.’s brochure dated March 2018 (the **“Prior Brochure”**). Although our business practices that we are required to describe in this brochure have not materially changed since the Prior Brochure, this brochure contains certain additional disclosure regarding fees and expenses, risks, and conflicts of interest.

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Item 4. Advisory Business

A. Organization and Ownership

For purposes of this brochure, **“Freeman Spogli”** or the **“Firm”** means Freeman Spogli Management Co., L.P., together (where the context permits) with the general partners (the **“General Partners”**) of the Funds (as defined below). The Firm, formerly known as Freeman Spogli & Co. VI, L.P., is a Delaware limited partnership that was organized in 2008. The owners of the Firm are Bradford M. Freeman, Ronald P. Spogli, John M. Roth, J. Frederick Simmons, Todd W. Halloran, Jon D. Ralph, Brad J. Brutocao, Benjamin D. Geiger, Jordan Hathaway, John Hwang and Christian B. Johnson.

B. Advisory Services

The Firm currently serves as the investment adviser to private equity funds (the **“FS Funds”**) and parallel investment entities that invest proportionately with a FS Fund in all investments on substantially the same terms and conditions subject to applicable tax, legal, or regulatory constraints (the **“Parallel Funds”** and, together with the FS Funds, the **“Funds”**).

The Funds are dedicated exclusively to investing and partnering with management in companies positioned for strong growth and equity appreciation. The Funds make investments in equity and equity-related securities issued in corporate acquisitions organized and led by the Firm. In accordance with the Funds’ respective investment objectives, investments are generally made in middle-market companies in consumer and distribution sectors, including the retailing, direct marketing, and distribution industries in the United States, and, in the case of certain Funds, the catalog industry, companies that provide services to retailers, and certain types of consumer product companies (together with the retailing, direct marketing, distribution and catalog industries and companies that provide services to retailers, the **“Target Sectors”**). The Firm’s management and administrative services include investigating, structuring and negotiating potential investments, monitoring the performance of portfolio companies in which the Funds invest, and advising the Funds as to exit strategies from such portfolio investments.

Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund, investment advisory agreement, and/or side letter agreements negotiated with investors in the applicable Fund (collectively, the **“Organizational Documents”**).

In addition to the advisory services described in the preceding paragraphs, the Firm and its employees provide certain consulting services to portfolio companies in which the Funds have invested.

C. Tailoring of Investment Advice

The Firm provides investment management advice in accordance with the investment objectives and guidelines set forth in each Fund’s Organizational Documents.

D. Wrap Fee Programs

The Firm does not participate in any wrap fee programs.

E. Assets Under Management

The Firm manages the assets of each Fund on a discretionary basis. As of December 31, 2018, the amount of assets held by the Funds was approximately \$3,705,000,000.

Item 5. Fees and Compensation

A. Management Fees

As compensation for investment supervisory services rendered to the FS Funds, the Firm receives from each such FS Fund a management fee. Management fees paid by an FS Fund are indirectly borne by investors in such FS Fund. The precise amount of, and the manner and calculation of, the management fees for each FS Fund are established by the Firm and are set forth in such FS Fund's Organizational Documents. The management fees are generally subject to waiver or reduction by the Firm in its sole discretion. The fee structures described above are modified from time to time. Fees will on occasion differ from one FS Fund to another, as well as among investors in the same FS Fund. Parallel Funds generally do not pay management fees.

The Funds' General Partners are also entitled to receive from each Fund performance-based compensation ("**Carried Interest**") as further described in **Item 6** below. The specifics of each fee arrangement are negotiated for each Fund and are set forth in the limited partnership agreement ("**Partnership Agreement**") related to the specific Fund.

B. Payment of Management Fees

The General Partner of each FS Fund calls capital from investors not affiliated with the Firm in each respective FS Fund for payment of management fees. Management fees are then paid by each of the FS Funds to the Firm.

Subject to an FS Fund's Organizational Documents, Management fees paid by a FS Fund will generally be reduced by a percentage of (1) the amount of fees paid by such FS Fund to persons acting as a placement agent in connection with the offer and sale of interests in such FS Fund to certain potential investors and/or (2) certain Transaction and Monitoring Fees (as defined below) received by the Firm from a FS Fund's portfolio companies, as further described in **Item 5.C** below.

In the event the Firm receives compensation that would be applied to offset an FS Fund's management fees and such compensation exceeds any remaining management fees due at the end of the life of the FS Fund, such excess compensation generally will be remitted to the investors in the applicable FS Fund.

C. Other Fees and Expenses

Transaction and Monitoring Fees

As described in **Item 11** the portfolio companies in which a Fund invests typically pay directors' fees, transaction fees, consulting fees, advisory fees, monitoring fees, break-up fees and other fees ("**Transaction and Monitoring Fees**") to the Firm or any of its employees in connection with the consummation, holding or disposition of a portfolio company investment or the termination of an unconsummated investment by the Fund. Any such Transaction and Monitoring Fees received by the Firm or any of its employees will be remitted to the Firm. These Transaction and Monitoring Fees are often substantial. As noted in **Item 5.B** above, in general, a percentage of such fees received by the Firm or any of its employees (after a deduction for applicable expenses) will be credited toward an offset of the management fee. The remainder will be retained by the Firm. The amount and manner of such offset is set forth in the Organizational Documents of the applicable Fund. To the extent any Transaction and

Monitoring Fees relate to more than one Fund, the Firm will allocate any such fees among the applicable Fund(s) in proportion to their interest (or prospective interest) in the portfolio company. Any reduction of an FS Fund's management fees will be limited to the extent of such FS Fund's investment (or prospective investment) in a portfolio company in proportion to the aggregate investment (or prospective investment) of all Funds to the applicable portfolio company. As Parallel Funds generally do not pay management fees, the portion of any such fees allocated to a Parallel Fund will not benefit such entities, to the extent permitted by the Organizational Documents of certain FS Funds, and will be retained by the Firm. The Organizational Documents of certain FS Funds provide that the management fee reduction for an FS Fund will be determined by taking into account such FS Fund's actual or anticipated ownership of the particular portfolio company relative to the actual or anticipated ownership of the FS Fund, any Parallel Fund, and other vehicles or third parties. Therefore, the Firm may in the future determine that the reduction of any such FS Fund's management fees will be limited to the extent of its investment (or prospective investment) in a portfolio company in proportion to all such other investors, including third parties, and the remainder may be retained by the Firm. Certain Transaction and Monitoring Fees are prepaid for a given year. To the extent there is a realization event (such as an initial public offering or strategic exit) during such year, the portion of such fees attributable to the remainder of the year will be refunded to the portfolio company.

Payments Made to Third Parties

The Firm also engages and retains senior advisors, advisers, consultants, and other similar professionals, including but not limited to Industry Executives (discussed in **Item 8**) who are not employees or affiliates of the Firm and who receive additional compensation from, or allocations with respect to, portfolio companies and/or other entities. Such remuneration includes, but is not limited to, salary, bonus, director fees, and stock options and will not be deemed paid to or received by the Firm and its affiliates. For the avoidance of doubt, such remuneration will not be remitted to the applicable Funds or otherwise subject to the offset described above. For a discussion of the material conflicts of interest created by the engagement of such persons, please see "Conflicts Related to Industry Executives" in **Item 11** below.

Expense Reimbursement

Additionally, a portfolio company will reimburse the Firm for expenses incurred by the Firm in connection with its performance of services for a portfolio company, including, without limitation, travel and travel-related expenses (which have in the past, and may in the future, include expenses for chartered or first class travel, "black car" transportation, and meals (including late night meals while not traveling)), entertainment expenses, expenses relating to hiring portfolio company 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; such reimbursed expenses are generally not included as "Transaction and Monitoring Fees" under the terms of the applicable Organizational Documents, and such reimbursements are not subject to the offset described above. For a discussion of material conflicts of interest created by the receipt of such reimbursements, please see **Item 11** below.

Fund Expenses

To the extent permitted by a Fund's Organizational Documents, each Fund generally bears all expenses relating to its activities (to the extent not reimbursed by a portfolio company), including (1) the fees, costs and expenses of service providers to a Fund, including attorneys, accountants, administrators, advisors, auditors, consultants, valuation experts, due diligence professionals, and other service providers, (2) interest

on, and fees, costs and expenses arising out of, a Fund's borrowings and indebtedness and any other amounts due under any borrowing or a Fund obligation, (3) premiums and fees for insurance, (4) litigation expenses and other extraordinary expenses related to a Fund, any portfolio investment, any potential portfolio investment or a person in which a Fund holds a portfolio investment and certain others, (5) fees, costs and expenses associated with maintaining a Fund, the General Partner and subsidiary entities, and other entities, including coinvestment entities, alternative investment vehicles, parallel funds, feeder funds, and including any government and/or regulatory filings related to a Fund or the offering of interests (including regulatory filings of the Firm and its affiliates relating to a Fund, including without limitation Form PF and any AIFMD filings, but not, for the avoidance of doubt, filings solely related to the operation of the Firm generally), other than fees, costs and expenses associated with amendments or restatements to the constituent documents of a General Partner that are made solely for purposes of addressing internal matters of a General Partner, (6) fees, costs and expenses relating to an advisory committee and its members, (7) fees, costs and expenses incurred in connection with the preparation of all reports to the limited partners or an advisory committee or for purposes of complying with any applicable law, rule or regulation, including software and information technology expenses, (8) all fees, costs and expenses of holding any meetings of the partners or an advisory committee (including, without limitation, all fees, costs and expenses related to (A) any preliminary or preparatory meeting held in advance of such meeting, (B) third party advisers to a Fund and a General Partner and potential investors in a subsequent fund who are in attendance at such meetings and (C) meetings with portfolio personnel, in each of the foregoing clauses (A)-(C), reasonable meals and entertainment related thereto), (9) fees, costs and expenses incurred in connection with any indemnification obligations of a Fund, except, for the avoidance of doubt, costs and expenses that are excluded under the indemnification provisions of a Fund's Partnership Agreement, (10) fees, costs and expenses (including travel at commercial airline rates) related to or arising from (A) the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, financing, hedging or disposition of portfolio investments, permitted temporary investments and potential portfolio investments, and (B) the sourcing and evaluation of potential portfolio investments (irrespective of whether any such investment is ultimately consummated), (11) expenses related to a Fund's exercise of its remedies with respect to defaulting partners, (12) any taxes, fees or other governmental charges incurred, payable by or levied against a Fund (except to the extent that such taxes, fees, or governmental charges have actually been reimbursed or deemed to have been paid by a partner or former partner), (13) advertising costs, (14) broken deal expenses, including, without limitation, formation and organizational expenses incurred by a coinvestment entity formed to facilitate such investment, (15) management fees, (16) a Fund's organizational expenses, (17) placement agent fees and expenses, (18) expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions, (19) research and other information (including data and information service subscriptions, related systems and services from data providers and data management software) related to an actual or potential portfolio investment; but not including general research services and subscriptions (e.g. Bloomberg terminals), which shall be borne by a General Partner or the Firm, (20) subject and industry-matter experts directly or indirectly related to an actual or proposed portfolio investment or the Target Sectors (21) bridge financing expenses and (22) any expenses and costs related to the preparation and delivery of any report, certificate or opinion required under a Fund's Organizational Documents; provided, that any taxes, fees, and other expenses that the Firm reasonably determines are unique to maintaining the operations of a feeder fund will be borne solely by such feeder fund.

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 consideration 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.

In addition, the Firm, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to certain Funds, 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 which with the Funds are required to comply. Pursuant to a Fund's respective Organizational Documents, all or a portion of the expenses allocable to a Fund related to such service providers are borne by such Fund.

Allocation of Expenses

To the extent not allocated to a portfolio company, the Firm will allocate out-of-pocket 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, investors in the Funds and other third parties of third party 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 Firm in its 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 Firm generally allocates fees and expenses generated in the course of evaluating such investment among such Funds based on the anticipated investment of each Fund. If a proposed transaction is not consummated, all of the expenses incurred in connection with the unconsummated transaction will be borne solely by the Fund or Funds selected by the Firm as proposed investors to the transaction and will not be borne by any co-investors expected to participate in the proposed transaction.

With respect to allocating other expenses among Fund(s) and/or third parties, as appropriate, to the extent not addressed in the Organizational Documents of a Fund, the Firm 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 Firm 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.

D. Fees Payable in Advance

The management fees are paid semi-annually in advance, shortly following the commencement of such semi-annual period, or quarterly in advance, subject to the terms of the applicable Fund's Organizational Documents.

In the event a FS Fund overpays the management fee for any period payable in advance (whether by reason of a change in the calculation of the management fee, a termination of the management fee, or otherwise), the excess payment will either be credited against the amount due for the next payment or refunded.

If the Firm is removed as the investment adviser to a FS Fund, the Firm will be entitled to the management fee relating to the full period, as applicable, during which it was removed, unless it was removed for malfeasance, in which case the portion of the management fee for any partial period after the date of removal will be returned.

E. Compensation for the Sale of Securities

Neither the Firm nor any of its supervised persons accepts any compensation for the sale of securities or other investment products, including units of ownership (“**Interests**”) in the Funds.

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

Performance-Based Profits Allocations

As noted in **Item 5.A** above, the General Partners are entitled to receive distributions of Carried Interest from each Fund. Carried Interest paid by a Fund is indirectly borne by investors in such Fund.

Potential Conflicts of Interest

The existence of Carried Interest compensation may create an incentive for the Firm to make riskier or more speculative investments than it would otherwise make in the absence of such an arrangement.

While it is inherently uncertain what position the current administration or future administrations will take going forward, legislation has recently been passed in the United States, which, among other things, provides that gains in respect of a General Partner’s right to Carried Interest will be subject to a three year “holding period” in order to be classified as “long term capital gains”, while the corresponding holding period requirement with respect to limited partners is one year. Please see “Tax Reform Risk” in Item 8 below.

The terms of the Carried Interest could also give the Firm an incentive to make decisions regarding the timing and structure of realization transactions that are not necessarily in the best interests of investors. For example, the General Partner of a Fund would be in a position to receive Carried Interest distributions earlier if profitable investments are liquidated prior to investments that are not profitable because, at the time proceeds from such profitable investments are liquidated, the General Partner would not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments although the Firm would be required to take into account any write downs, as discussed below.

The Carried Interest also creates a potential conflict of interest for the Firm in valuing investments. For example, the General Partner of a Fund will not receive a Carried Interest until the limited partners in such Fund receive distributions equal to their share of any write downs that were not taken into account for prior distributions. This creates an incentive for the Firm to avoid writing down the value of assets that are not readily marketable or difficult to value because the General Partner will be in a position to receive a higher Carried Interest.

The payment of Carried Interest at varying effective rates based on the past performance of a Fund could create an incentive for the Firm to disproportionately allocate time, services or functions to Funds paying Carried Interest at a higher effective rate, or allocate investment opportunities to such Funds. Generally, and except as otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated

by (i) certain limitations on the ability of the Firm to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements.

Please see **Item 11** below for additional information relating to how conflicts of interest are generally addressed by the Firm.

Item 7. Types of Clients

Each Fund is a client of the Firm. As further described in **Item 4** above, the Firm provides investment advice to the Funds and makes investment decisions on behalf of the Funds consistent with the stated investment objectives set forth in each Fund's respective Organizational Documents. 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.

The Funds generally accept potential investors who are "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**") and "qualified purchasers" as that term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

The Firm does not have a minimum size for a Fund, but, depending on the Fund documents, minimum investment commitments have in the past and may in the future be established for investors in the Funds.

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

INVESTMENT STRATEGY

The Firm focuses its investments in the Target Sectors, with transactions typically ranging from \$100 million to \$750 million in enterprise value and equity investments generally ranging from \$50 million to \$150 million. The Firm invests in companies that have established defensible market positions in products, channels, or geographic niches. The Firm is particularly attracted to situations in which its in-depth knowledge of the target's particular sector allows the Firm to identify areas of potential operating improvement or strategic initiatives that may help transform a company and increase its value. An integral part of the Firm's investment philosophy is to partner with strong management teams and enable them to become significant owners of their businesses. Although the Firm prefers control investments, it will selectively consider minority investment opportunities where its industry knowledge and the board's voting composition allow the Firm to exert significant influence. The Firm actively participates in the development and growth of each of its portfolio companies.

The Firm utilizes the services of talented independent consultants with extensive industry experience ("**Industry Executives**"). The Industry Executives assist the Firm in sourcing and evaluating investment opportunities and in developing and implementing growth strategies for portfolio companies with which they work. For their service, the Industry Executives receive a consulting fee from the Firm. In their roles as directors, they also receive directors' fees directly from the portfolio companies paid in the form of cash and stock options. Industry Executives also from time to time receive transaction fees in connection with certain of the Funds' investments. Because Industry Executives are not affiliates of the Firm, these directors' fees and transaction fees are not offset against the Firm's management fees. In addition, to ensure their interests are properly aligned with the Firm's, Industry Executives invest directly in the portfolio

companies for which they serve as directors. These executives have significant operating experience in the Target Sectors.

INVESTMENT PROCESS

The Firm employs a five-step approach to investing: proactive deal sourcing, rigorous due diligence, prudent transaction structuring, post-closing value creation, and opportunistic monetization.

In addition to evaluating investment opportunities in connection with sale processes, the professionals of the Firm also proactively reach out to various intermediaries in order to generate new business ideas and stay in front of new deals coming to the market. The Firm leverages its relationships with key executives in the consumer and distribution sectors to assist in the identification of potential investments. The Firm bases its investment decisions on extensive due diligence reviews to help identify and manage the risks and evaluate the growth opportunities associated with acquisitions. The Firm's due diligence investigations are enhanced by the Industry Executives and other third party consultants who have operating expertise in the sector in which the potential portfolio company participates. The Firm prefers management to focus on growing its business rather than managing a highly leveraged capital structure, and actively works to increase the value of its companies through both organic and acquisition growth. The Firm takes an opportunistic approach to monetization. Decisions regarding exit timing and methodology are based primarily on expectations regarding a portfolio company's future operations and general conditions in the capital markets.

INVESTMENTS AND RISK OF LOSS

An investment in a Fund involves various risks. A Fund may lose all or a substantial portion of its investments, and prospective investors in Funds must be prepared to bear the risk of a complete loss of their investments. There is no guarantee of a Fund's successful performance, that a Fund's investment objectives can be reached or that a positive return will be achieved. As a general rule, investors should expect that investments with higher return potential will also have higher potential of risk of loss to capital and/or income. A Fund itself is not a balanced investment program for purposes of an investor's portfolio diversification needs and, therefore, investors should consult with their own financial advisers for the appropriateness of an investment in a Fund for their overall investment program. In addition to the information set forth in a Fund's offering document (the **"Private Placement Memorandum"**), a prospective investor in a Fund should consider the following factors and other considerations. The following risk factors do not purport to be a complete examination of all of the risks involved.

Risks Relating To Fund Investments

Control Investments and Directorships

A Fund will acquire control positions in certain companies in which it invests. Additionally, officers and employees of the Firm will at times serve as directors of portfolio companies in which a Fund invests. The exercise of control over a company through a control position, or the service of an officer or employee of the Firm as a director of such company, could (i) expose the assets of a Fund to claims by such company, its security holders and creditors or (ii) impose additional risks of liability for failure to supervise management, violation of governmental regulations and other types of liability in which general limited liability protections are ignored. If these liabilities were to occur, a Fund, directly, and the Fund's partners indirectly, would likely suffer losses with respect to their investments.

Illiquid Nature of Portfolio Company Investments

A Fund will make investments in securities that have limited liquidity. It is anticipated there will be a significant period of time before a Fund has completed its investments in portfolio companies. Such investments typically take from two to seven years from the date of initial investment to reach a state of maturity when partial or complete realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of a Fund's investment prior to that time. Generally, there will be no readily available market for a substantial amount of a Fund's portfolio investments. Most investments held by a Fund will not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and a Fund may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, it is likely that no return from the disposition of a Fund's investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors.

Portfolio Company Risks

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

General Economic Conditions; Market Dislocation

Although financial markets have been generally experiencing a period of recovery, volatility remains and any future deterioration could have an adverse impact on a Fund. Disruptions in the financial markets typically make it more difficult for a Fund to realize investments and impact the market prices of securities and adversely affect the valuation of a Fund's investments.

The success of a Fund's activities, and of the portfolio companies in which a Fund will invest, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, and political circumstances (including wars, terrorist acts or security operations).

It is unclear what changes the current U.S. presidential administration will enact and how they will impact the Firm, the Funds, the Funds' investments and the Funds' investors. Uncertainty around future political, legislative or administrative developments may cause volatility in the U.S. or global economies and financial markets more generally, which in turn may have an adverse effect on the values of the Funds' investments and on the Funds' ability to execute their investment strategies. While the Funds and their

investment programs stand to benefit from certain potential regulatory changes, other potential changes may adversely affect the Funds.

Geopolitical Risk

The Funds are subject to the risk that war, cyber attacks, terrorism and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. War, cyber attacks, terrorism and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's investments. At such times, a Fund's exposure to a number of other risks described elsewhere in this section can increase

Middle Market Companies

Investments in middle market companies such as those that a Fund targets for investment, while often presenting greater opportunities for growth, may also entail larger risks than are customarily associated with investments in large companies. Middle market companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more adversely impacted by general economic trends and specific changes in markets and technology than larger companies. In addition, future growth may be dependent on additional financing, which may not be readily available on acceptable terms at the time needed. Further, there is ordinarily a more limited marketplace for the sale of interests in such private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private investments in middle market companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

Competition for Investments

The Manager expects Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships, business development companies and corporations, small business investment companies, large industrial and financial companies investing directly or through affiliates and individuals. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the Firm. To the extent that a Fund encounters competition for investments, yields to its investors may decrease.

Hedging Transactions May Affect Overall Performance

The Funds may choose, but are not required, to engage in transactions designed to reduce the risk or to protect the value of their investments, including securities hedging transactions. To the extent a General Partner elects to engage in these transactions, a Fund will incur additional costs, and there can be no assurance that any particular hedging strategy will achieve its intended purpose or that suitable hedging transactions will be available. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions and may result in decreased returns.

Use of Leverage

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

Initial Public Offerings

Funds may invest in companies whose securities are subsequently sold pursuant to initial public offerings. Such securities (i) have no public market prior to their initial offering and there is no assurance that (a) an active public market in such securities will develop or continue after their initial offering or (b) the initial public offering price of such securities will be indicative of the market price for such securities after their initial offering and (ii) are subject to lockups and restrictions in connection with their initial offering and they may not be readily disposed of. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell securities of a portfolio company that it otherwise might have sold.

Material, Non-Public Information

By reason of its investment in a portfolio company, a Fund will often acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. A Fund will not be able to act upon any such information. Due to these restrictions, certain Funds will not be able to initiate transactions that they otherwise might have initiated and will not be able to sell securities of portfolio companies that they otherwise might have sold.

Minority Investments

Funds have in the past and may in the future invest in minority positions of companies and in companies for which the Fund has no right to appoint a director or otherwise exert significant influence. In such cases, the Fund will rely significantly on the existing management and board of directors of such companies, which often include representation of other financial investors with whom the Fund is not affiliated and whose interests could conflict with the interests of the Fund. Where practicable and appropriate, a Fund generally will seek shareholder rights to protect its interests, but it will not always be possible to secure such rights.

Risk of Limited Number of investments

Funds participate in a limited number of investments and, as a consequence, the aggregate return of such Funds can be substantially adversely affected by the unfavorable performance of even a single portfolio

company. Other than as set forth in the Partnership Agreement of a Fund, investors have no assurance as to the degree of diversification of a Fund's portfolio investments. Although a Fund's Partnership Agreement generally will limit a Fund's ability to invest aggregate commitments in any one investment, the General Partner will have sole discretion within such limitations to select investments for the Fund. Unforeseen circumstances may cause it to limit the number of its investments or type of investment activity. At a particular time, it is possible that a Fund will have a significant portion or all of its investment capital in only one portfolio investment or a single Target Sector. Consequently, a Fund's results will be more susceptible to adverse economic and business conditions. In addition, where the General Partner intends to refinance all or a portion of the capital invested in a portfolio company, there is a risk that such refinancing will not be completed, which would increase the risk a Fund will have an unintended long-term investment as to such portion of the amount invested leading to reduced diversification.

Bridge Financings

From time to time, a Fund will invest in portfolio companies on a short-term, unsecured basis (a **"Bridge Financing"**) in anticipation of a future issuance of equity or long-term debt securities. During the initial one-year period that any Bridge Financing is outstanding, such Bridge Financing will be treated as a short-term investment and will not be subject to the Preferred Return or Carried Interest provisions outlined in the Partnership Agreement. To the extent that a Bridge Financing is not refinanced, sold or otherwise repaid within such one-year period, the Bridge Financing will be treated as a permanent investment in the portfolio company.

Follow-on Investments

A Fund may be called upon to provide follow-on funding for its investments or have the opportunity to increase its investment in a portfolio company. There can be no assurance that a Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by a Fund not to make a follow-on investment or its inability to make a follow-on investment may have an adverse impact on a portfolio company in need of such an investment or may diminish a Fund's ability to influence the portfolio company's future development. In addition, the failure to make a follow-on investment would dilute a Fund's interest in the investment.

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 companies 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 a Fund will generally be secured by capital commitments made by the limited partners 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.

Possibility of Fraud or Other Misconduct of Employees and Service Providers

Misconduct by employees of the Firm, portfolio companies, service providers to a Fund and/or their respective affiliates could cause significant losses to a Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to a Fund. The Firm has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that the Firm will be able to identify or prevent such misconduct.

Management Team of Portfolio Companies

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the Firm will be responsible for monitoring the performance of each investment and intends to invest considerable time in contributing, directly and indirectly, to strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with a Fund's plans.

Reliance on the Firm and its Principals

Decisions with respect to the management of the Funds will be made by the Firm. An investor in a Fund must rely upon the ability of the Firm in identifying, structuring, and implementing investments consistent with a Fund's investment objectives and policies. The success of a Fund will depend on the ability of the Firm to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of investments of the Fund at a profit. The success of a Fund depends in substantial part upon the leadership, skill and expertise of the principals of the Firm. However, there can be no assurance that each of the principals will continue to be affiliated with a Fund or the Firm throughout a Fund's anticipated term. In addition, the principals will continue to have an interest in, and participate in the management and investments of other funds managed by the Firm or its affiliates.

Difficulty Locating Suitable Investments

Investors in a Fund will not have the opportunity to evaluate the business, financial and other information that will be used by the Firm in its analysis, selection, and monitoring of portfolio company investments for a Fund. There can be no assurance that the Firm will be able to identify a sufficient number of attractive investment opportunities to fully invest a Fund's committed capital in opportunities that satisfy a Fund's investment objectives, or that such investment opportunities will lead to completed investments by a Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

Portfolio Company Pension Liability Considerations

As a result of its equity ownership, representation on the board of directors and/or contractual rights, a Fund may often be thought to control, participate in the management of or influence the conduct of its portfolio companies. This could expose the assets of a Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies. Under Title IV of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), employers who sponsor defined benefit pension plans or contribute to so-called "multiemployer" plans may be liable to the plan or the Pension Benefit Guaranty Corporation (PBGC) in the event of a full or partial plan termination or withdrawal from participation. This liability extends to other entities within the same "controlled group" as well as other "trades or businesses under common control." In 2013, the First Circuit Court of Appeals, in *Sun Capital Partners III, L.P. et al. v. New England Teamsters & Trucking Industry Pension Fund*, found that a private fund (alone or with other funds) could be treated as a "trade or business" for this purpose, depending upon the level of active management and certain other factors, and remanded the case to the District court for a factual determination. The subsequent 2016 District Court of Massachusetts decision applied the "investment plus" test articulated by the appeals court and ultimately found that two private equity funds operated by the same sponsor were "trades and businesses" for purposes of ERISA. Further, the court found that the funds, neither of which itself owned a controlling 80% interest in the portfolio company, were deemed to be part of a partnership in fact as a result of their joint investment and prior activities, and therefore were jointly and severally liable for the pension withdrawal liability of such former portfolio company. This is currently an unsettled area of law, and significant questions remain regarding the potential application of the Sun Capital holding to similar factual situations. If a Fund were to be deemed a "trade or business" with the requisite level of ownership of an investment, either alone or with another Fund advised by the Firm or its affiliates, a Fund could face liability for the Title IV obligations of its portfolio company. In addition, other portfolio companies which are deemed to be in a controlled group or under common control with an entity sponsoring or contributing to a Title IV plan could also be liable for these funding obligations.

Foreign Investments

To the extent a Fund invests in companies organized or with substantial operations outside the United States, those investments will be subject to risks associated with foreign investment. These risks include, but are not limited to, potential material adverse effects caused by inflation, currency devaluation, less developed entity and finance laws and regulations, exchange rate fluctuations, repatriation or exchange control regulation, withholding or other taxes, changes in government policies (including foreign investment policy and taxation), social instability and other political, economic or diplomatic developments in such countries.

Third Party Litigation

The investment activities of a Fund, particularly with respect to its relationships with portfolio companies (including participation on boards of directors), will subject a Fund to the risk of becoming involved in litigation brought by portfolio companies, their stockholders, their creditors and others. Generally, a Fund would bear the expense of defending against claims by such parties and paying amounts necessary to satisfy any settlements or judgments. If a Fund becomes subject to liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and may not be limited to any particular asset, such as the investment giving rise to a liability.

Valuation of Investments

A Fund will rely on the General Partner for valuation of its assets and liabilities. A Fund will primarily hold securities and other assets that will not have readily accessible market values. An accurate assessment of fundamental value will depend on a complex analysis of a number of legal, financial, microeconomic, macroeconomic and other factors. The valuation of illiquid securities and other assets is inherently subjective and subject to increased risk that the information utilized to value such assets or create pricing models may be inaccurate or subject to error. A Fund's success will depend in large part on the ability of its General Partner to accurately assess the fundamental value of a Fund's assets, and no assurance can be given that the General Partner will accurately assess the nature and magnitude of the many factors having a bearing on the value of a Fund's assets. Further, no assurance can be given that all of the relevant factors or that all of the pertinent information will be considered by or be available to those persons in formulating any particular investment decision. The failure to consider any of those factors or to accurately assess the nature and magnitude of the relevant factors or pertinent information may cause a Fund to miss significant profit opportunities or to incur substantial losses. As a result, due to a wide variety of market factors and the nature of certain securities and assets to be held by a Fund, there can be no guarantee that the value determined by the General Partner will represent the value that will be realized by a Fund upon the disposition of the investment. The amount and timing of Carried Interest received by the General Partner may depend in part on the valuation of a Fund's assets and liabilities.

Assessment of Value May Not Be Accurate

A Fund's success will depend in large part on the ability of its General Partner to accurately assess the fundamental value of the Fund's assets. An accurate assessment of fundamental value will depend on a complex analysis of a number of legal, financial, microeconomic, macroeconomic and other factors. No assurance can be given that the General Partner will accurately assess the nature and magnitude of the many factors having a bearing on the value of the Fund's assets. Further, no assurance can be given that all of the relevant factors or that all of the pertinent information will be considered by or be available to those persons in formulating any particular investment decision. The failure to consider any of those factors or to accurately assess the nature and magnitude of the relevant factors or pertinent information may cause a Fund to miss significant profit opportunities or to incur substantial losses.

Due Diligence Risk

The Firm conducts due diligence in connection with investment opportunities. The Firm's due diligence process may not reveal all facts that may be relevant in connection with an investment made by a Fund. In some cases, only limited information is available about a company in which the Firm is considering an investment. There can be no assurance that the due diligence investigations undertaken by the Firm will

reveal or highlight all relevant facts that may be necessary or helpful in evaluating a particular investment opportunity, or that the Firm's due diligence will result in an investment being successful.

Projections

A Fund may rely upon projections, forecasts or estimates developed by the Firm or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections, forecasts or estimates are inherently subject to uncertainty and factors beyond the control of the Firm and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash-flow. Actual events are difficult to predict and beyond a Fund's control. Actual events may differ from those assumed. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results for a Fund or its portfolio companies will not be materially lower than those estimated or targeted therein.

Risks Upon Disposition of Certain Investments

In connection with the disposition of an investment in a portfolio company, a Fund typically will be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It typically will also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements can result in contingent liabilities, which might ultimately have to be funded by the partners to the extent of their commitments or previous distributions made to them.

Side Letters

The Firm and/or the Fund will typically enter into certain written agreements ("**Side Letters**") with one or more of the Fund's investors. These Side Letters entitle an investor to make an investment in a Fund on terms different from those in the Fund's Partnership Agreement. Any such terms, including with respect to (i) opting out of particular investments; (ii) reporting obligations of the Fund; (iii) transfers to affiliates; (iv) co-investment opportunities; (v) withdrawal rights due to adverse tax or regulatory events; (vi) consent rights to certain Partnership Agreement amendments; or (vii) any other matters, can be more favorable than those offered to any other investors.

Cybersecurity Risk

The Firm, 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 Firm 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 Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Firm, 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 Firm's systems to disclose sensitive information in order to gain access to the Firm's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Firm'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 Firm or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Firm 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.

General Data Protection Regulation

The EU adopted a new law, effective May 25, 2018, governing data practices and privacy called the General Data Protection Regulation ("GDPR"). The GDPR will apply not only to businesses based in the EU, but also to businesses outside the EU that process personal data collected through the offering services or goods to citizens in the EU or from monitoring their behavior. To the extent a Fund and/or its current or prospective portfolio companies operate in the EU or are involved in the processing of such personal data, it is possible that a Fund and such portfolio company will be required to comply with the GDPR. The law requires businesses to meet new requirements regarding the handling of such personal data, which may entail substantial expense and the diversion of resources from other projects. In addition, ongoing legal reviews by regulators may result in burdensome or inconsistent requirements affecting the location and movement of personal data (e.g., customer and employee data) as well as the management of that data. GDPR compliance may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. The law imposes potential significant financial penalties for noncompliance which would have a significant adverse impact on a Fund and its portfolio companies.

Tax Reform Risk

Broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") was enacted 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 Firm'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 Firm to incentivize, attract and retain these professionals, which may have an adverse effect on the Firm'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 Firm 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 nonliquidating distributions. For example, the tax law gives the Firm an incentive to cause a Fund to hold an investment for longer than three years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than 3 years.

The foregoing is a summary of certain significant risks relating to an investment in a Fund. This summary is qualified in its entirety by a Fund's Private Placement Memorandum, and should not be interpreted as a representation that the matters referred to herein are the only risks involved in an investment in a Fund, or that the magnitude of such risks is necessarily equal.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of the Firm or its management persons.

Item 10. Other Financial Industry Activities and Affiliations

A. Affiliated Broker-Dealers

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Affiliated Commodity Advisors

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Other Affiliations and Conflicts of Interest

The Funds' General Partners.

As discussed in **Item 6** above, various affiliates of the Firm serve as a General Partner to each Fund and are entitled to receive performance-based Carried Interest distributions from the applicable Fund. The existence of the General Partners' Carried Interest creates 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. In addition, as discussed in **Item 5.C** the Firm, such General Partner or their employees receive Transaction and Monitoring Fees. The payment of Transaction and Monitoring Fees create a conflict of interest, as the Firm is incented to cause a portfolio company to increase such fees. Any such Transaction and Monitoring Fees received by the General Partner of a Fund or any of their respective employees are required to be immediately remitted to the Firm. A percentage of such Transaction and Monitoring Fees are used to offset each Fund's management fee.

Because Industry Executives are not affiliates of the Firm, any such fees received by Industry Executives will not offset the management fee. For a discussion of material conflicts of interest involving the Industry Executives, please see **Item 11** below.

D. Recommendation of Other Investment Advisors

The Firm does not recommend or select other investment advisers for the Funds.

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

Code of Ethics

The Firm has adopted a code of ethics as part of its compliance manual (the “**Manual**”) pursuant to Rule 204A-1 under the Advisers Act of 1940, as amended (the “**Advisers Act**”), which imposes ethical standards and duties on the partners, members, owners, principals, directors, officers, supervisors, employees and certain other persons subject to the Firm’s control and supervision (collectively referred to herein as “**Covered Persons**”).

The Manual sets forth standards of conduct expected of all Covered Persons and it requires Covered Persons to comply with applicable federal securities laws. Covered Persons are expected to be familiar with the Manual and adhere to its provisions.

The Manual includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. It prohibits Covered Persons from trading for Funds or themselves, or recommending trading, in securities of a company while in possession of material, non-public information about the company, and from disclosing such information to any person not entitled to receive it.

The Manual also addresses conflicts that could arise from personal securities trading by any Covered Persons. First, securities on the restricted list, initial public offerings, and private placements must be pre-cleared by the Chief Compliance Officer. Second, each Covered Person must submit quarterly reports containing all transactions not subject to an exception, for each of their personal securities account. Lastly, the Manual requires each Covered Person to submit to the Chief Compliance Officer at least annually a report of their securities so that they may be checked for compliance with the Manual.

The Firm will provide copies of the section of the Manual containing its Code of Ethics to the Funds upon request, at no charge.

Conflicts of Interest

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 a Fund will face. Other conflicts are disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

While the Firm believes that its interests with respect to the success of the Funds are generally aligned with the interests of the Funds’ investors, conflicts of interest between the Firm, the Firm’s principals and their affiliates, on the one hand, and the Fund, on the other hand, will arise.

Other Activities of the Firm

Except as provided otherwise in the Organizational Documents of the applicable Funds, the Firm, their affiliates, and their respective members, managers, directors, officers, partners, shareholders, employees and agents have in the past and may in the future directly or indirectly purchase, sell, hold or otherwise deal

with investments for their own accounts, for their family members or for other clients, irrespective of whether such investments are purchased, sold, held or otherwise dealt with for the account of the Fund. An investor will not, solely by reason of being a partner in a Fund, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Firm, their affiliates, and their respective members, managers, directors, officers, partners, shareholders, employees and agents from the conduct of any business other than the business of the Fund or from any transaction or other investment effected by any such person for any account other than that of the Fund.

None of the Firm, the Firm's principals or their respective affiliates will be precluded from undertaking investment activities on behalf of persons in which any of them has an investment as of the date that a Fund has admitted an initial group of limited partners.

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

Officers and employees of the Firm may 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. Such transactions are subject to the policies and procedures set forth in the Firm's Code of Ethics and investors will not benefit from any such investments.

Conflicts Relating to Allocation of Investment Opportunities

The Firm allocates investment opportunities (in whole or in part) between Funds managed by the Firm in such manner as it believes to be appropriate given each entity's investment focus, capacity for new investments, diversification requirements, scheduled termination date, and any other factors the Firm determines to be relevant to such allocation decision. Notwithstanding the foregoing, the Firm will not be required to offer a Fund the opportunity to invest in any investments in portfolio companies of any other Fund or account managed by the Firm.

The Firm has organized the Parallel Funds, which have similar investment policies as the FS Funds. To the extent that any such Parallel Fund participates in the investments made by an FS Fund, such Parallel Fund and the FS Fund will co-invest pro rata on the basis of their respective total capital commitments at the time (subject to adjustment by the General Partner to reflect the effect of investors in an FS Fund or Parallel Fund who opt out or are excused or excluded from particular investments under the terms of the applicable Partnership Agreement) and, generally, on the same terms and conditions. Such Parallel Funds generally do not pay management fees.

The Firm has in the past and may in the future form alternative investment vehicles for a Fund making certain investments on behalf of one or more investors in such Fund and co-investment vehicles for the purpose of making certain co-investments with a Fund. The Firm offers investment opportunities to alternative investment vehicles and co-investment vehicles on a case by case basis, generally on the same terms and conditions applicable to the Fund, and subject to the terms and conditions of the Organizational Documents related to the specific Fund.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Firm 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 Firm has an incentive to allocate investment opportunities to the Funds from which the Firm or its related persons would derive, directly or indirectly, a higher fee, compensation or other benefit. Situations could therefore arise whereby the Firm has an economic incentive to make a decision that favors one Fund above the other Funds. In addition, the Firm expects that it or its personnel are likely to in the future establish one or more additional funds with investment objectives substantially similar to, or different from, those of an existing Fund. The Firm recognizes that it must allocate such investment opportunities in a manner that is fair to each of the Funds, in light of the facts and circumstances of each situation.

The Firm has adopted the following general procedures to reduce potential conflicts of interests between its various Funds. In order to seek to mitigate potential conflicts of interest between its various Funds, the Firm has established advisory committees, consisting of representatives of the investors in a Fund whom are not affiliated with the Firm. The advisory committees will meet as required to consult with the Firm as to potential conflicts of interest. A Fund's advisory committee will have the right to review and approve or disapprove certain potential conflicts of interest (as set forth in the Fund's Organizational Documents) of the Firm, or any transaction between the Firm and the Fund, which decision will be binding on the subject person and the Fund.

Conflicts Related to Investors in the Funds

The unaffiliated investors of a Fund are expected to include persons or entities organized in various jurisdictions, which often have conflicting investment, tax and other interests in respect of their investments in the Fund. The conflicting interests of individual investors typically relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of portfolio investments, the purchase by the Fund of an interest in a portfolio company where certain investors did not participate in the portfolio investment in such portfolio company, and the timing of disposition of investments. Such structuring of portfolio investments and other factors can result in different returns being realized by different investors in the same Fund. As a consequence, conflicts of interest arise in connection with decisions made by the Firm, including in respect of the nature or structuring of investments, that are potentially more beneficial for one investor than for another investor, especially in respect of investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Firm will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

The Organizational Documents of a Fund establish complex arrangements among the Funds, the Firm, 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 Firm 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.

Indemnification

Funds are required to indemnify the Firm and its affiliates and its members, managers, officers, directors, stockholders, partners, employees, agents (including any subcontractors) and affiliates, as well as the

Fund's advisory committee members and the limited partners they represent, for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the investors. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unfunded commitments. If the assets of a Fund are insufficient, the General Partner of the Fund may recall distributions previously made to the partners.

Consequences of Default; Exclusion from Investments

In the event that a limited partner fails to fund any of its commitment when required, such limited partner's interest in the relevant Fund and its investments may be reduced and such limited partner may be precluded from participating in further investments.

A limited partner may be excluded from participating in any investment if the Firm determines that such participation is reasonably likely to jeopardize the ability of a Fund to consummate the proposed investment or result in a significant delay, extraordinary expense or material adverse effect on a Fund or any of its affiliates, any portfolio company or any future investment, or is reasonably likely to result in a violation of any law, regulation or order to which such limited partner, the Fund or any of its affiliates is subject. If a limited partner is excluded from participating in an investment, it will not participate in the acquisition of the investment or in any income, gain, loss, deduction, credit or distribution with respect thereto. In the event that one or more limited partners are excluded from participating in an investment, the limited partners who are not excluded, all things being equal, may have a percentage ownership interest in certain investments that is greater than their percentage ownership interest in other investments, and their percentage interest in the relevant Fund as a whole may be greater than the percentage interest of the excluded limited partners in the Fund as a whole.

Conflicts of Interest Related to Portfolio Companies Held by the Funds

The Funds invest in portfolio companies that often have competing business interests. A Fund's portfolio company may also be a customer of or a service provider to another Fund's portfolio company. In providing advice to a portfolio company's business, the Firm is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Firm to a portfolio company may have adverse consequences to a separate portfolio company owned by another Fund.

A principal or employee of the Firm or a related person has in the past and may in the future serve as a director with respect to portfolio companies, the securities of which are purchased on behalf of the Funds. In the event that the Firm or a related person: (i) obtains material non-public information in such capacity with respect to a portfolio company or (ii) is subject to trading restrictions pursuant to the internal policies of the Firm or such portfolio company, the Firm will be prohibited from engaging in transactions with respect to the securities or instruments of the affected portfolio company. Such a prohibition can have an adverse effect on the Funds.

Conflicts Related to Transactions between the Firm and the Funds

A Fund must obtain the consent of its advisory committee before (a) making any investment in which the Firm or any affiliate of the Firm has previously made an investment, (b) selling any investment in which the Firm or any other affiliate of the Firm has an interest consisting of securities that are substantially identical and have liquidity substantially equivalent to that of the investment being sold unless such interest

is being sold pro rata and on substantially the same terms and at an equivalent price as the Fund's stake in such investment, or (c) for certain Funds, before selling any investment to another Fund.

Without the consent of a Fund's advisory committee, neither the Firm nor any other affiliate of the Firm will (i) acquire or sell securities (other than securities it received as a distribution in kind from the Fund, any Parallel Fund, or any alternative investment vehicle) of any portfolio company other than through its interest in the Fund, any Parallel Fund, or any alternative investment vehicle, or (ii) borrow funds from the Fund. The prohibitions contained in this paragraph will not apply to (i) with respect to certain Funds, any acquisition of securities pursuant to a merger, consolidation or transaction involving a portfolio company, (ii) any acquisition of securities made pursuant to preemptive rights or similar interests granted to all or substantially all holders of the same class of securities, (iii) any acquisition of securities by or on behalf of an existing Fund or subsequent Fund made concurrently with, at the same price, and on the same terms and conditions as, the acquisition of substantially identical securities in the same portfolio company by the Fund, any Parallel Fund, or any alternative investment vehicle, so long as the costs and expenses of such transaction are equitably prorated, (iv) any sale or distribution of securities by an existing Fund or a subsequent Fund, provided that if such securities are substantially identical to and have equivalent liquidity as securities in the same portfolio company held by the Fund, any Parallel Fund, or any alternative investment vehicle, such sale or distribution must be made pro rata and substantially concurrently with, and on substantially the same terms and conditions as, the sale or distribution of the corresponding securities by such entities, (v) any sale of securities received in a distribution permitted to be made in clause (iv) above, and (vi) any acquisition of marketable securities.

The receipt of Transaction and Monitoring Fees and reimbursements, as described in **Item 5** above, creates a conflict of interest between the Firm and the Funds and their investors because the amounts of these fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Firm determines the amount of these Transaction and Monitoring Fees and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the reductions described in **Item 5** above) be disclosed to investors in the Funds.

Decisions made by a director may subject the Firm, 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 Firm 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. Such companies are not portfolio companies of the Fund and as a result, any compensation received by such Firm employee is not subject to the management fee offset described above, or otherwise shared with the Funds and/or investors.

The Firm does not co-invest with any of its Funds. However, Industry Executives have in the past and may in the future invest their own capital, either directly or indirectly, in the securities of portfolio companies that are recommended to the Funds. In certain instances, Industry Executives directly invest side-by-side with the Funds, either concurrently with the closing of the Fund's investment in such portfolio company or post-closing. In addition, as described above, the Parallel Funds invest proportionately alongside their respective FS Funds in all transactions. Investors in the Parallel Funds may include Covered Persons and

their friends and family, as well as entities controlled by, or established for the benefit of, Covered Persons and their friends and family.

The Firm 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 Firm and/or its personnel, and such rewards and/or amounts will exclusively benefit the Firm 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 companies.

A Fund may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company (“Holding Company”) would be created that would acquire and manage the companies in the platform. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. The Holding Company’s costs and expenses (including compensation for its personnel, which compensation may include, among other things, the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets) would be borne by the Holding Company (and, therefore, indirectly borne by the Fund). Such costs and expenses will not offset the management fee and are in addition to management fees and other compensation (e.g., Carried Interest) received by the Firm. In addition, as the Firm earns management fees and Carried Interest from the Fund, the Firm will benefit from the assets, income and gains of Holding Company.

Conflicts Related to Allocation of Co-Investment Opportunities

The Firm will determine if the amount of an investment opportunity exceeds the amount the Firm determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Firm and/or the Funds, Industry Executives, or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Firm to be in the best interest of the applicable Fund), and any such excess will typically be offered to one or more co-investors pursuant to the procedures included in such Funds’ Organizational Documents. Before extending any invitation to participate in a coinvestment, the Firm must determine that the co-investment is in the best interest of the applicable Fund.

Investors in the Funds have in the past and may in the future be invited by a Fund’s General Partner to participate individually in investments in portfolio companies, including (where appropriate) as lenders, placement agents, and purchasers of securities. However, investors who participate in such direct investment opportunities will assume any risk, responsibility or expense relating to their participation, and such direct investment will not entitle the limited partners to participate in the management or control of the investment.

In general, subject to any investment allocation requirements set forth in a Fund’s Organizational Documents, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any rights, entitlements or priority to coinvestment opportunities, (ii) 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 Firm or its related persons or other participants in the applicable transactions, (iii) co-investment opportunities typically will be offered to some and not other investors in the Funds, in the sole discretion of the Firm or its related persons, (iv) 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 be offered coinvestment opportunities, in the sole discretion of the Firm or its related persons and investors may be offered a smaller amount of co-investment opportunities than originally requested, and (v) coinvestors generally purchase their interests in a portfolio company at the same time as the Funds or will on occasion 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 acknowledgments of interest in co-investment opportunities do not require the Firm to notify the recipients of such acknowledgments if there is a co-investment opportunity.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, the Firm will generally consider some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- The Firm's evaluation of the size and financial resources of the potential co-investment party and the Firm's perception of the ability of that potential co-investment party (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 Fund(s), in particular when the investment opportunity is time- sensitive in nature, as is typically the case;
- Any confidentiality concerns the Firm has that arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- The Firm's perception of its past experiences and relationships with the potential coinvestment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Firm and the 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 coinvestment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The Firm's perception 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 other account or person would act upon the investment opportunity if offered;

- The Firm's evaluation of whether the profile or characteristics of the potential coinvestment party will 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 Firm 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 provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Funds and/or the Firm and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Funds and/or the Firm.

The factors above are not listed in order of importance or priority and the Firm 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 Firm's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, investors in the Funds and other third parties, and in the manner discussed above often will not result in proportional allocations among such persons, and such allocations will be more or less advantageous to some such persons relative to other such persons. For example, the Firm may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While the Firm determines 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 Firm is subject, discussed herein, did not exist.

In the event the Firm determines to offer an investment opportunity to co-investors, there can be no assurance that the Firm will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Fund or that expenses incurred by the Fund with respect to the syndication of the co-investment will not be substantial. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Firm as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. In the event that the Firm is not successful in offering a co-investment opportunity to potential coinvestors, in whole or in part, it is possible that the Fund will consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce the Fund's overall investment returns.

A Fund will on occasion sell down an interest in its portfolio companies to co-investors, including but not limited to Industry Executives. Subject to the applicable Organizational Documents, the Firm may charge

(or may decide not to charge) a co-investor (such as an investor in a Fund or a third party) interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

Conflicts Related to Other FS Funds

Conflicts arise when a FS Fund makes investments in conjunction with an investment being made by other FS Funds, or in a transaction where another FS Fund has already made an investment. Questions 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 raises conflicts of interest. In the event that one FS Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, 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 FS 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 a company. Such management and operational decisions may, at times, be in direct conflict with another FS Funds that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the FS Funds may or may not provide such additional capital, and if provided each FS Fund will supply such additional capital in such amounts, if any, as determined by the Firm. Investments by more than one client of the Firm or its affiliates in a portfolio company also raise the risk of using assets of a client of the Firm or its affiliates to support positions taken by other clients of the Firm or its affiliates, or that a client may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may be detrimental to a FS Fund.

Conflicts Related to the Compensation Structure

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

In addition, the Firm and its principals have an indirect interest in the securities of portfolio companies held by the Funds because of Carried Interest. As discussed in **Item 6** above, the existence of Carried Interest from the Funds gives rise to certain conflicts of interest that likely would not exist in the absence of such performance-based compensation.

The Organizational Documents of certain Funds permit 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 has an incentive to cause the Fund to exit an investment at a time that could 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).

Pursuant to the Organizational Documents of a Fund, the General Partner of a Fund 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.

Conflicts Related to Advisory Committee Rights

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 Firm and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with the Firm 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.

Conflicts Related to Industry Executives

As discussed in **Item 8**, above, the Firm utilizes the services of Industry Executives. The Industry Executives, who are not affiliates of the Firm, are engaged to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies. These services may be high level insight or extensive day-to-day roles, and typically include support to the General Partner or portfolio companies 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 Industry Executive and the time devotion requirements of each such Industry Executive may vary significantly. Certain Industry Executives may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated services to be provided. As noted above under “*Conflicts Related to Transactions between the Firm and the Funds*” Industry Executives may be offered the ability to co-invest alongside Funds, including in investments in which such Industry Executive is involved or participates in the management thereof.

The Industry Executives receive a consulting fee from the Firm and, in their roles as directors, also receive directors' fees directly from the portfolio companies paid in the form of cash and stock options. The consulting fee is determined at the discretion of the General Partner taking into account the particular services provided by the Industry Executives and the directors' fees are determined by the relevant portfolio company. Industry Executives also from time to time receive transaction fees in connection with certain of the Funds' investments. Because Industry Executives are not affiliates of the Firm, directors' fees and transaction fees paid to the Industry Executives by a portfolio company will not reduce any fees otherwise payable to the Firm or its affiliates.

Although the use of and compensation of Industry Executives may subject the Firm and its affiliates to potential conflicts of interest, the Firm believes any such potential conflicts of interest are mitigated by the expected savings to the portfolio companies (and, in turn, the relevant Fund(s)) that will be applied if the cost of the Industry Executive is lower than market rates for the services provided, or if the services provided by the Industry Executive are consistent with the business strategy the Firm has for the relevant portfolio company.

Conflicts Related to Service Providers

The Firm and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there could be conflicts of interest. Members of the law firms engaged to represent the Funds are on occasion investors in a Fund, and could also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, the Firm and/or its affiliates, the parties will in the sole discretion of the Firm and its affiliates engage separate counsel, and in litigation and other circumstances separate representation will often be required. Additionally, the Firm and the Funds and the portfolio companies of the Funds have in the past and may in the future engage other common service providers. In such circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Firm, the Funds, and/or the portfolio companies. While the Firm often does not have visibility or influence regarding advantageous service rates or arrangements, this may result in the Firm 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 company, or the Firm receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. In addition, the Firm 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 Firm or its affiliates differ from those required by the Funds and/or its portfolio companies, the Firm and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies.

This creates a conflict of interest between the Firm, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Firm 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 companies.

Additionally, employees of the Firm or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in service providers to the Funds or their portfolio companies.

These relationships that the Firm may have with a service provider can influence the Firm in determining whether to select, or recommend such service provider to perform services for a Fund or a portfolio company.

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.

The Firm 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 Firm 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 Firm that cover one or more Funds and/or the Firm (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Firm 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 Firm 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.

Item 12. Brokerage Practices

The Firm’s investment strategy typically involves making direct long-term investments in companies on behalf of the Funds. As such, the Firm does not routinely trade public securities on behalf of Funds. Any use of broker-dealers most often involves exiting a portfolio company investment either in an underwritten offering or through open market sales. The Firm selects broker-dealers on a “best execution” basis. Best price, after giving effect to commissions and transaction costs, is one factor in this decision, but the Firm also takes into account many other factors of best execution for a specific transaction, including reputation, creditworthiness and financial stability of the broker-dealer, the quality of services, such as market-making, distribution and execution, clearing and settlement and research as well as the Firm’s business relationship with the broker-dealer, if any. Accordingly, transactions will not necessarily be executed at the lowest available price or commission.

The Firm currently does not engage in soft dollar arrangements or directed brokerage transactions. The Firm’s investment strategy does not typically present the opportunity to aggregate the purchase or sale of securities for various client accounts. In the event more than one Fund purchases or sells the same publicly traded security, the Firm aggregates (or bunches) the orders of such Funds for such security. The Firm often employs this practice because larger transactions generally enable them to obtain better overall prices, including lower commission costs or markups or mark-downs. The Firm will combine orders on behalf of

Funds with orders for other Funds for which it has trading authority, or in which it or its affiliates have an economic interest. In such cases, the Firm generally aggregates 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 Firm's procedures for allocation of investment opportunities as described in **Item 11** above.

Item 13. Review of Accounts

A. Account Review

Members of the Firm monitor, and gather information with respect to the Funds on a periodic basis. In addition, the Firm reviews and conducts valuations of all Funds on a quarterly basis. A member of the deal team responsible for each portfolio investment will gather and review information regarding the investment, develop a valuation for such investment, and submit the valuation and supporting materials to members of the Firm, which shall, in turn, review the valuation and supporting materials. For certain Funds, such materials are then submitted to the advisory committee of the applicable Fund for review and approval. On an annual basis, a third party accountant will conduct an audit of each Fund and, in connection therewith, will review any internally-developed valuation for the portfolio investments of such Fund.

B. Factors that Trigger an Account Review

Not applicable.

C. Account Statements

Investors in the Funds receive written quarterly unaudited financial statements for the first three quarters of the fiscal year, an annual report and annual audited financial statements. Moreover, investors in the Funds can receive certain additional information upon request, as set forth in the applicable Fund's Partnership Agreement.

Item 14. Client Referrals and Other Compensation

A. Benefits from others for Providing Investment Advice

For details regarding economic benefits provided to the Firm 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 Firm and its related persons, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies.

B. Client Referrals

While not a client solicitation arrangement, the Firm has entered into contractual agreements with several organizations (hereafter referred to as "agents") that have solicited investors for certain of the Funds. While the specific terms of each arrangement differ, generally an agent's compensation is based upon the capital commitments made by the referred investors to the Funds. Any sales charge associated therewith will ultimately be payable by the Firm, either directly or through an offset of the management fee payable by the relevant Fund.

Item 15. Custody

Item 15 is not applicable to the Firm.

Item 16. Investment Discretion

The Firm has discretionary authority to manage securities accounts on behalf of each Fund, subject to the investment objectives, strategies and policies set forth in the applicable Fund's Partnership Agreement.

Item 17. Voting Client Securities

The Firm has authority to vote proxies on behalf of the Funds and, in accordance with Rule 206(4)-6 of the Advisers Act, has adopted policy and procedures to address how the Firm will vote proxies on behalf of each client. The Firm will consider each proxy issue individually and will exercise its best judgment as a fiduciary to vote all proxies in the best interests of the Funds pursuant to the goals of a Fund's investment strategy. The Firm will at times abstain from voting or decide not to vote if the Firm determines that abstaining or not voting is in the best interests of the applicable Fund(s).

The Firm has in the past been, and may in the future be, subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. The Firm and/or its employees also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. In the event a material conflict of interest is identified, the Chief Compliance Officer or designee shall take such actions as he or she deems necessary to determine how to vote the proxy in the best interests of the Funds. Depending upon the specific facts and circumstances associated with a given proxy, such actions can include consulting with: (1) legal counsel, (2) a proxy consultant, or (3) deal team members. After such consultation, the Chief Compliance Officer or designee shall review the votes in advance to ensure that the Firm's proposed vote is not prompted by any conflict of interest. In accordance with Rule 206(4)-6, the Firm will document the basis for its voting decisions.

A copy of the proxy voting policy and procedures is available to the Funds upon request, by contacting William M. Wardlaw at (310) 444-1822. Further, upon request, Funds will be provided with information about how proxies have been voted.

Item 18. Financial Information

A. Prepayment of Fees

The Firm does not require or solicit prepayment of any fees from the Funds six months or more in advance.

B. Financial Impairment

As of the date of this brochure, the Firm is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.

C. Bankruptcy Petition

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State-Registered Advisers

Not applicable.