

# **TPG Capital Advisors, LLC**

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Part 2A of Form ADV: Firm Brochure  
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**This brochure provides information about the qualifications and business practices of TPG Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (817) 871-4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about TPG Capital Advisors, LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**An investment adviser's registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

A disciplinary event relating to a management person of TPG Growth II Management, LLC; TPG Growth III Management, LLC; TPG Growth IV Management, LLC; The Rise Fund Management, LLC; and The Rise Fund Management II, LLC has been added to Item 9.

### **ITEM 3 – TABLE OF CONTENTS**

	<b>Page</b>
Cover Page	
Item 2 – Material Changes .....	i
Item 3 – Table of Contents.....	ii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management .....	13
Item 7 – Types of Clients.....	13
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9 – Disciplinary Information .....	34
Item 10 – Other Financial Industry Activities and Affiliations .....	35
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	36
Item 12 – Brokerage Practices .....	78
Item 13 – Review of Accounts.....	81
Item 14 – Client Referrals and Other Compensation.....	81
Item 15 – Custody .....	82
Item 16 – Investment Discretion.....	82
Item 17 – Voting Client Securities.....	82
Item 18 – Financial Information .....	83

## **ITEM 4 – ADVISORY BUSINESS**

For purposes of this brochure, “we,” “us” and “our” refer to TPG Capital Advisors, LLC, together (where the context permits) with our subsidiaries that provide investment advisory services, including those that serve as general partners of the Capital Advisors Vehicles (as defined below).

*Advisory Clients.* As set forth below, our only advisory clients are the Funds and certain fee-paying Co-Investment Vehicles (each as defined below), which we refer to collectively as the “Capital Advisors Vehicles.” In particular,

- We provide investment advisory services to the following, which we refer to collectively as the “Funds”:
  - pooled investment vehicles that are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and
  - certain individual investors through separately managed account arrangements.

The Funds’ investors are primarily “qualified purchasers,” as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships and limited liability companies.

We also serve as the sponsor of entities that act as feeder vehicles into certain Funds. Additionally, in order to meet tax, regulatory or other requirements, certain investors invest in substantially the same portfolio as the applicable Funds through specially formed investment vehicles, which we also advise.

- From time to time, we also form capital around particular or multiple investment strategies or themes, or establish, on a transaction-by-transaction basis, investment vehicles, separately managed accounts or other accounts or arrangements through which certain persons generally invest alongside one or more Funds (each, a “Co-Investment Vehicle”). When a Co-Investment Vehicle is established for a particular transaction, it generally will invest in the transaction on the same terms as the applicable Fund that also is invested in such transaction. In certain cases, Co-Investment Vehicles may also pursue investments that are not pursued by a Fund.

*Organization.* TPG Capital Advisors, LLC was formed as a Delaware limited liability company in 2010 and is part of a private investment firm originally founded in 1992, which we refer to, together with its affiliates, including us, as “TPG.” Our ultimate principal owners are, indirectly, David Bonderman and James Coulter.

*Nature of Advisory Services.* As an investment adviser, we identify investment opportunities and participate in the acquisition, management, monitoring and disposition of investments for each Capital Advisors Vehicle. We primarily provide investment advisory services related to private

equity investments in various industries, including leveraged acquisitions and recapitalizations, turnarounds, traditional buyouts and investments in growth companies. Such private equity investments take the form of privately negotiated investment instruments, including unregistered equity securities of both U.S. and non-U.S. issuers. Although the primary focus of the Capital Advisors Vehicles is private equity investments, we also from time to time offer advice on investments in, among other things (in each case to the extent consistent with the applicable Capital Advisors Vehicle's investment objectives and strategies (please see "*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*" below)),

- structured equity and other products;
- public equities;
- energy assets;
- currency hedging transactions;
- swap transactions (including total rate of return swaps and credit default swaps);
- derivative instruments;
- short sales;
- real estate;
- securities lending arrangements
- repurchase agreements; and
- bank and other loans, bonds, credit-based securities and claims and other financings and debt originations.

*Advisory Services and Related Agreements.* We generally provide investment advisory services to each Capital Advisors Vehicle pursuant to a separate investment advisory agreement, each of which we refer to as an "Advisory Services Agreement." Each Capital Advisors Vehicle's Advisory Services Agreement sets forth the terms of the investment advisory services we provide to the Capital Advisors Vehicle, including any specific investment guidelines or restrictions. Investment guidelines for each Capital Advisors Vehicle, if any, are generally established in its organizational or offering documents, the Advisory Services Agreement and/or side letter agreements negotiated with its investors. We provide investment advice directly to the Capital Advisors Vehicles, and not individually to the investors in the Capital Advisors Vehicles.

As described more fully in Item 11 below, we and our related entities routinely enter into side letter agreements with certain investors in the Capital Advisors Vehicles providing such investors with customized terms, which often results in preferential treatment.

*Amount of Client Assets.* As of January 1, 2018, we managed on a discretionary basis a total of approximately \$53,700,700,000 of client assets.

## **ITEM 5 – FEES AND COMPENSATION**

*Fees Generally.* We generally charge asset-based investment advisory fees (which in other contexts we commonly refer to as “management fees”) to the Capital Advisors Vehicles. Advisory fees paid by a Capital Advisors Vehicle are indirectly borne by its investors. Such investment advisory fees are deducted from Capital Advisors Vehicle assets and generally payable quarterly or semi-annually in advance, depending upon the Capital Advisors Vehicle. The amount of any investment advisory fee is prorated for periods of less than a full billing cycle at the beginning or end of our provision of investment advisory services, and any prepaid amount in excess of the prorated fee will be returned upon termination of our investment advisory services. To the extent the base upon which we charge advisory fees changes during the course of the relevant period (e.g., due to an increase/reduction in actively invested capital), we generally are not required to make any adjustment, true-up or refund. As a result, we have an incentive to time the termination of the applicable Capital Advisors Vehicle’s commitment period or the disposal of a particular investment in a manner that increases the aggregate amount of advisory fees we receive. Our Advisory Services Agreements generally impose some restrictions on a Capital Advisors Vehicle’s ability to terminate the agreement. The specific restrictions vary depending on the nature of the Capital Advisors Vehicle.

We establish and negotiate with investors in the applicable Capital Advisors Vehicle the precise amount of, and the manner and calculation of, the advisory fees. Such Capital Advisors Vehicle’s Advisory Services Agreement, organizational documents, offering documents and/or other documentation received by each investor prior to its investment in such Capital Advisors Vehicle, which we refer to collectively as, together with any applicable side letters, the “Governing Documents,” sets forth the precise amount of, and the manner and calculation of, the advisory fees.

Certain investors in a Fund, including, for example, a Fund’s general partner, its affiliates and certain “friends of the firm,” pay reduced or no advisory fees at our discretion (though these investors generally pay their pro rata share of certain Fund expenses).

Please see Item 11 for a description of the side letter agreements we and our Related Advisers (as defined below) enter into with certain investors in Capital Advisors Vehicles that provide such investors with customized terms, including with respect to reduced advisory fees.

Please see Item 6 for more information on incentive compensation.

*Fund Expenses.* In addition to the investment advisory fees described above,

- certain Funds reimburse us or our affiliates for certain organizational expenses, generally up to a specified cap, that are incurred in connection with the formation of the Funds and the offering of interests in them to potential investors, including
  - fees and expenses of counsel, including for preparing offering materials and preparing and negotiating the Governing Documents;
  - travel and related expenses incurred in connection with meetings with prospective investors regarding possible investments in the Funds; and

- other expenses related to a Fund's formation;
- each Fund, and hence all of its investors, also generally bears all of the expenses incurred in relation to its activities, operations, meetings and eventual liquidation (other than expenses resulting from the fraud, gross negligence or willful misconduct of us or its general partner), including, to the extent provided in the particular Fund's Governing Documents, expenses, costs and fees
  - incurred in connection with discovering, investigating, pursuing, negotiating and structuring of investment opportunities (whether or not the investment is consummated) and making investments, including, for example
    - fees, costs and expenses associated with the organization, operation, administration, restructuring or winding-up, dissolution and liquidation of any special purpose vehicles;
    - legal fees for drafting and negotiating agreements related to the making and financing of an investment, conducting due diligence and securing regulatory approvals;
    - fees of accountants that provide due diligence and other services;
    - fees of tax specialists that advise on the optimal structuring of an investment;
    - fees of investment banks and related bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, investment, execution, closing and administrative fees, costs and expenses;
    - fees of advisors, consultants and other third-party service providers that advise, among other things, on various aspects of sourcing, investigating and pursuing possible investments, including industry and subject-matter experts;
    - fees relating to potential but not consummated investments, including costs that may have been allocated to prospective co-investors had the deal been consummated; and
    - fees and expenses related to the travel of our employees including airfare, hotel and meal expenses;
  - incurred in holding, developing, operating, managing, monitoring and disposing of investments;
  - related to the Fund's borrowing, such as interest, commitment fees, upfront fees, legal fees and other fees and expenses;

- related to conferences and other professional development activities for portfolio company executives (including those we organize);
- of
  - custodians,
  - depositaries,
  - advisors (including Senior Advisors (as defined below)),
  - consultants (including, but not limited to, consulting fees incurred by a Fund for the benefit of a portfolio company),
  - economists,
  - sourcing persons,
  - brokers,
  - intermediaries,
  - administrators,
  - valuation firms,
  - lawyers and legal professionals,
  - tax professionals,
  - accountants,
  - auditors and
  - other professionals for services rendered to the Fund (regardless of whether TPG employees have provided similar services to the Fund or Related Funds (as defined below));
- relating to advisory committee meetings (or meetings of a similar body), including
  - venue expenses,
  - fees, costs and expenses associated with any legal counsel or other third-party service providers or advisors, and
  - travel of the members of the Fund's advisory committee (or similar body);



- relating to other meetings of Fund investors in connection with the Fund, including venue expenses, and fees, costs and expenses associated with any legal counsel or other third-party service providers or advisors;
- relating to the travel of our employees in connection with the Fund’s advisory committee (or similar body) or investor meetings and other Fund-related travel;
- for insurance coverage, including general partner liability/director and officer insurance and crime/fidelity insurance (see “*Item 11 – Allocation of Fees and Expenses*”);
- for software and development costs, including third-party diligence software and service providers;
- of any administrator and valuation experts (including in relation to calling capital from and making distributions to investors, the administration of assets, financial planning and treasury activities);
- relating to administrative and accounting services (including investor information databases) and the creation of financial reports and other responses to reporting requests from investors, including the costs incurred to audit and provide access (whether through the Fund’s website or other portal) to such reports and any other related operational, secretarial or postage expenses;
- relating to compliance with tax or regulatory requirements applicable to the Fund (including the preparation and delivery of Fund financial statements, tax returns and Schedule K-1s or equivalent forms) and the preparation and submission of regulatory filings;
- for litigation relating to the activities or operations of the Fund and any related judgments or settlements (including any indemnification paid pursuant to the Governing Documents);
- relating to any audit, investigation, regulatory or governmental inquiry or public-relations undertaking;
- relating to the representation of the Fund or its investors with respect to tax compliance or controversy matters;
- relating to compliance (or monitoring compliance) with the Governing Documents;
- consisting of taxes, fees or other governmental charges levied against the Fund or its subsidiaries;
- relating to winding up and liquidating the Fund;

- relating to any amendments, restatements or other modifications to the Governing Documents, including the solicitation of any consent, approval, waiver or similar acknowledgement from investors and/or the Fund’s advisory committee (or similar body) and preparation of related materials;
  - clearing and settlement charges; and
  - not specifically identified in the Governing Documents as being borne by us; and
- certain Funds reimburse us or our affiliates for certain expenses, including, among other things, expenses related to in-house services (as described below) and employees or consultants providing operational support, regulatory or legal support, specialized operations and consulting services and similar or related services (as described below – see “*Item 11 – Providers of Specialized Operational Services to Portfolio Companies*”) to the Capital Advisors Vehicles or their portfolio companies. These expense reimbursements are generally disclosed to investors.

The Funds’ Governing Documents generally permit the Funds, subject to certain limitations, to borrow funds to pay the expenses described above.

Some expenses are incurred on an aggregate basis for the benefit of multiple Capital Advisors Vehicles, Related Funds and/or TPG. We allocate the aggregate costs of these items across the applicable Capital Advisors Vehicles, Related Funds and TPG in a manner we determine to be reasonable and fair to all parties. Generally, the allocation method across multiple Capital Advisors Vehicles or Related Funds is pro rata in accordance with assets under management, but we may vary this approach in particular instances if we believe another methodology is more equitable. For instance, when allocating amounts (including firm-wide insurance) to TPG, TPG’s allocable portion may be based on some other method and may be a fixed percentage that we determine to be equitable. See “*Item 11 – Allocation of Other Fees and Expenses*” for more information.

In addition, although some expenses are incurred on behalf of a Capital Advisors Vehicle, they may benefit other Capital Advisors Vehicles, Related Funds or TPG more broadly. For example, information TPG obtains in connection with a Capital Advisors Vehicle’s research, due diligence and investment activities will be valuable to other Capital Advisors Vehicles and Related Funds. Furthermore, tools and resources developed at a Capital Advisors Vehicle’s expense will be the intellectual property of TPG and not the Capital Advisors Vehicle. TPG may license or sell their intellectual property to third parties in the future, and the relevant Capital Advisors Vehicle may not benefit from such license or sale.

For information on brokerage practices, see Item 12 below.

*Co-Investment Vehicles.* In certain cases, a Co-Investment Vehicle or other co-investors will evaluate a potential investment alongside a Fund. Investors in a Co-Investment Vehicle typically bear all expenses related to the vehicle’s formation and operation similar to those described above for a Fund, and the vehicle generally bears its pro rata portion of expenses incurred in the making of an investment. However, if the potential investment is not consummated, the full

amount of any expenses relating to the potential but not consummated investment and co-investment (including reverse termination fees, extraordinary expenses such as litigation costs and judgments) will typically be borne entirely by the Fund or Funds we select as proposed investors for such investment, rather than the Co-Investment Vehicle or other co-investor. See “*Item 11 – Allocation of Fees and Expenses for Broken Deals*” for more information.

With respect to Co-Investment Vehicles, any fees we receive, and expenses borne by the Co-Investment Vehicle, are generally negotiated on a vehicle-by-vehicle basis, but sometimes include asset-based fees and expense reimbursements, reimbursements for Specialized Operational Services (as defined below – see “*Item 11 – Providers of Specialized Operational Services to Portfolio Companies*”) or non-advisory administrative fees similar to those described above for the Funds.

*Fees for Services Provided to Portfolio Companies.* In addition, we or our affiliates, including the general partners of the Capital Advisors Vehicles, receive fees related to the making, disposition, or management of portfolio companies by the Capital Advisors Vehicles (“Related Services”), including

- acquisition and disposition fees;
- monitoring fees (which may be accelerated in certain circumstances as described below);
- directors’ fees;
- financial consulting fees;
- advisory fees;
- organization, financing, divestment and topping fees;
- break-up fees in connection with the termination, cancellation or abandonment of a potential investment;
- commitment fees;
- origination fees; and
- any other fees earned on or relating to the making, disposition or management of portfolio companies.

Governing Documents generally allow us to receive fees for Related Services from a Capital Advisors Vehicle’s portfolio companies, and we expect to receive such fees over the life of a Capital Advisors Vehicle. The amount, structure, timing and other terms of any fee for Related Services will vary depending on the terms of our agreement with each portfolio company. Some fees for Related Services are payable upon closing of a particular transaction or other events, whereas other fees are payable in annual installments, with the possibility that those annual payments accelerate upon specified events. For example, we may charge a portfolio company annual monitoring fees under a management services agreement. The monitoring fees can be a

fixed annual amount or a floating amount, sometimes based on a percentage of the company's earnings. A management services agreement typically has a stated term of ten years, though we expect a management services agreement to terminate when the Capital Advisors Vehicle ceases to hold a material interest in the relevant portfolio company. In certain circumstances (such as the occurrence of an initial public offering or a sale where the Capital Advisors Vehicle maintains a material interest), the termination of the management services agreement may result in the acceleration of the payment of all or a portion of the monitoring fees or may result in the payment of other exit, performance-based or termination fees. The fees paid by portfolio companies for Related Services in these situations may be significant. In general, we typically do not negotiate such fees with portfolio companies on an arm's-length basis. Fees for Related Services could adversely affect a portfolio company's financial performance.

Although these fees for Related Services are in addition to the advisory fees, we will in some circumstances be obligated to reduce the amount of advisory fees paid by the applicable Capital Advisors Vehicle by an amount equal to all or a portion of such fees for Related Services. The specific amount and nature of this reduction varies among Capital Advisors Vehicles and is generally set forth in the Governing Documents of the applicable Capital Advisors Vehicle. Furthermore, a Capital Advisors Vehicle will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee allocable to another entity, including, if applicable, another Capital Advisors Vehicle, Related Fund or other co-investor. As some Capital Advisors Vehicles do not pay advisory fees (*e.g.*, certain Co-Investment Vehicles) or do not have offset provisions requiring the reduction of advisory fees, any such reduction will not benefit such Capital Advisors Vehicles.

Certain fees and reimbursements are generally not considered fees for Related Services under the terms of the applicable Governing Documents, and are not subject to the reduction arrangements described above. These amounts include:

- any amounts paid by portfolio companies for reimbursement for any out of pocket costs and expenses (including travel expenses, which include expenses for business or first class travel, "black car" transportation and meals (including late night meals consumed at times when not traveling) and entertainment-related expenses) we incur in connection with a transaction or our performance of services for such portfolio company, whether or not these expenses would be payable by a Capital Advisors Vehicle if not for such reimbursement;
- a portion of a transaction or other fee received from an actual or prospective portfolio company that we in our sole discretion agree to pay to a third party, such as a consultant, advisor, Senior Advisor, finder, broker and/or investment bank (as the third-party fee is not a fee that we are entitled to retain);
- any amounts paid by a former portfolio company, such as director fees a former portfolio company pays one of our professionals who remains on the company's board of directors following the Capital Advisor Vehicle's disposition of its investment in the company;
- any underwriting, private placement or arranging fees, discounts or commissions payable to TPG Capital BD, LLC ("TPG BD") or TSSP BD, LLC ("TSSP BD"), our broker-

dealer affiliates (as described below – see “*Item 5—Fees Received by TPG Capital BD, LLC and TSSP BD, LLC*”);

- the portion of any fee allocable to a co-investor or other Capital Advisors Vehicles or Related Funds (even if it is received by a Capital Advisors Vehicle or any of its affiliates);
- reimbursement payments from portfolio companies for Specialized Operational Services (as described below – see “*Item 11—Providers of Specialized Operational Services to Portfolio Companies*”); and
- reimbursement payments from Capital Advisors Vehicles in respect of in-house services (as described below).

In addition, we, or our employees on our behalf, have received, and will in the future receive, stock of certain portfolio companies as a fee for Related Services due to the service of our employees on the boards of such portfolio companies. Although such fees may be subject to offset as described above, the recipients (including us) of such stock generally will be able to determine the timing of the stock’s disposition, which creates in certain circumstances a conflict of interest between us, as an adviser to the Capital Advisors Vehicle, and our related persons, on the one hand, and the Capital Advisors Vehicle, on the other.

We and our affiliates also engage and retain Senior Advisors, advisors, consultants and other similar professionals as independent contractors who, from time to time, receive payments from, or allocations with respect to, portfolio companies, Capital Advisors Vehicles and/or other entities. In such circumstances, such amounts generally will not be deemed paid to or received by us and our affiliates and such amounts will not be subject to the sharing arrangements described above. We describe these relationships further below. See “*Item 11 — Conflicts Relating to Activities and Compensation of TPG Operations Professionals*,” “*Item 11 — Conflicts Relating to Activities and Compensation of Senior Advisors*” and “*Item 11 — Activities and Compensation of Other Third Parties*.”

Receiving fees that do not offset the advisory fees gives us an incentive to maximize the amount of these fees and to cause Capital Advisors Vehicles to make investments that could generate such fees even if we otherwise would not have caused Capital Advisors Vehicles to make such investments in their absence.

*Certain In-House Services.* Certain Capital Advisors Vehicles pay or reimburse us for the fees, costs and other expenses related to certain legal, regulatory, tax, accounting, information technology and similar services provided by us or an affiliate to, or for the benefit of, the Capital Advisors Vehicle (including an allocable portion of personnel and related overhead expenses) if certain conditions are met, which generally include:

- the fees costs and other expenses of these services would be paid by the Capital Advisors Vehicle if the services were provided by third-party service providers;
- we reasonably believe it is in the Capital Advisors Vehicle’s best interests to have in-house personnel perform such services; and

- the costs of providing such services in-house are less than the amount that would be charged by a third party in an arm's-length transaction.

The amount of fees, costs and expenses of in-house services that a Capital Advisors Vehicle bears on an annual basis will typically be subject to a cap.

Occasionally, whether a service meets the criteria for reimbursement from a Capital Advisors Vehicle is not clear. In such circumstances, we will determine in our sole discretion whether reimbursement is appropriate.

From time to time, our in-house professionals work alongside third-party service providers on the same matter or engagement. When this occurs, although a third party is also engaged on the matter, a Capital Advisors Vehicle may still reimburse us for the work performed in house to the extent we determine that the in-house work meets the criteria for reimbursement described above.

We have developed processes to monitor the allocation of expenses relating to in-house services. Individual service providers (e.g., TPG employees or other affiliates) allocate their time among Capital Advisors Vehicles and/or Related Funds, or us or Related Advisers as applicable, on a monthly basis. Senior professionals in the relevant service group and our legal or compliance professionals review the allocations on a quarterly basis for reasonableness. We determine the monetary value of services performed by a TPG employee providing in-house services by reference to the aggregate annual compensation paid to the employee (including benefits, profits interests, equity interests or other incentive-based compensation), plus an estimate of the overhead and other fixed costs allocable to the employee, and the amount of time spent by the employee providing the in-house services. Our internal compensation team adjusts recorded time as necessary, and we review the assigned monetary value against third-party benchmarks on a regular (typically annual) basis. For time allocated to a Capital Advisors Vehicle, it bears the lesser of the third-party benchmark and the actual in-house service cost. Because our in-house expense allocation process relies on certain judgments and assessments that in turn are based on information and estimates from various individuals, the allocations that result may not be exact. In the future, we may use additional or different methods to allocate in-house expenses.

*Fees Received by TPG Capital BD, LLC and TSSP BD, LLC.* Our affiliates TPG BD and TSSP BD are broker-dealers registered with the U.S. Securities and Exchange Commission (the “SEC”) and members of the Financial Industry Regulatory Authority (“FINRA”). TPG BD and TSSP BD

- place securities and instruments issued by
  - certain private investment funds that we and our related entities manage individually or through our principals; and
  - other entities not related to us or our related entities; and
- participate in the syndication of opportunities to co-invest in portfolio companies alongside certain Capital Advisors Vehicles and third parties.

TPG BD also

- participates in underwriting syndicates and/or selling groups with respect to securities and instruments issued by portfolio companies of a Capital Advisors Vehicle (whether in primary or secondary offerings);
- acts as arranger (or in a similar capacity) with respect to loans or lines of credit to Capital Advisors Vehicles, portfolio companies of Capital Advisors Vehicles and third-party borrowers (or in respect of similar debt instruments);
- in some cases, will act as a broker in transactions on behalf of Capital Advisors Vehicles; and
- provides advisory services to portfolio companies of Capital Advisors Vehicles.

TPG BD may act as the sole, lead or managing financial institution in these transactions when consistent with its authorization as a registered broker-dealer.

In connection with its involvement in the public or private placement of securities or instruments issued by portfolio companies of Capital Advisors Vehicles, TPG BD may directly or as part of an underwriting syndicate purchase from such portfolio companies the securities or instruments issued.

TPG BD and TSSP BD and other affiliates of ours receive fees, commissions and other compensation in respect of the activities described above. Any fees TPG BD receives for participating in underwriting syndicates, selling groups or arrangements of lines of credit would otherwise be paid to investment banks and are not additional fees paid by the issuer or selling securityholders. While we therefore believe such fees, commissions and other compensation are reasonable and generally charged at market rates for the relevant activities, such compensation may not in each case be negotiated at arm's length and from time to time may be in excess of fees, commissions or other compensation that may be charged by an unaffiliated third party. Capital Advisors Vehicles generally will not have the right to share in, or have advisory fee offsets for, any compensation received by TPG BD or TSSP BD. TPG BD or TSSP BD will only serve as a broker-dealer in a transaction for a Capital Advisors Vehicle or its portfolio company if we determine it is consistent with our fiduciary duties.

When TPG BD acts as the placement agent for a Capital Advisors Vehicle in respect of securities or instruments issued by the Capital Advisors Vehicle, no commission or other compensation is received by TPG BD from such Capital Advisors Vehicle or their investors for such service.

For a description of material conflicts of interest created by our relationships with TPG BD and TSSP BD, please see Item 11 below.

*Leveraged Procurement.* Additionally, certain portfolio companies of Capital Advisors Vehicles are also, or have been, counterparties or participants in agreements, transactions or other arrangements that involve payments, discounts, reimbursements or other benefits to us or our affiliates. For example, we afford portfolio companies the option to participate in a program with us, our affiliates and other portfolio companies pursuant to which one of our affiliates

negotiates favorable procurement arrangements. We and our affiliates, together with participating portfolio companies, receive the favorable procurement terms, which we are able to secure due in part to the involvement of our portfolio companies. As part of this program, our affiliate receives reimbursements from portfolio companies choosing to participate in the program. These reimbursements are designed to cover some or all of the cost of administering the program and are not subject to advisory fee offsets or otherwise shared with the relevant Capital Advisors Vehicles.

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Funds generally allocate a portion of their investment profits to their general partners, which are affiliated with us, as a carried interest, as set forth in each Fund's Governing Documents. Co-Investment Vehicles also, in some cases, allocate a portion of their investment profits to their general partners, which are affiliated with us, as a carried interest, as set forth in the relevant organizational documents for each Co-Investment Vehicle. Such general partners' entitlement to performance-based allocations creates an incentive for us to take risks in managing the Capital Advisors Vehicles that we would not otherwise take in the absence of such arrangements.

There is a reduced allocation or no allocation of carried interest with respect to certain investors in certain Funds, including, for example, the Fund's general partner, its affiliates and certain "friends of the firm."

Additionally, the allocation of carried interests at different rates, or subject to different hurdle rates, creates an incentive for us or our affiliates to disproportionately allocate time, services or functions to vehicles allocating carried interests at a higher rate (or subject to a lower hurdle rate), or to allocate investment opportunities to such vehicles. We have adopted policies and procedures that, among other things, seek to ensure that investment opportunities are allocated in a manner that we believe is consistent with the relevant Governing Documents and otherwise fair and reasonable under the circumstances, considering such factors as we deem relevant, but in our sole discretion. We also have an incentive to dispose of a Capital Advisor Vehicle's investments at a time and in a sequence that would generate the most carried interest, even if it would not be in the Capital Advisor Vehicle's interest to dispose of the investments in that manner. In addition, recently enacted tax reform in the United States (see "*Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss — Material Risks of Significant Investment Strategies — Tax Considerations*") has generally increased, to three years, the holding period required in order for professionals to treat carried interest as capital gain. This creates an incentive for us to hold a Capital Advisor Vehicle's investments for longer periods in order for the gain from their dispositions to qualify for capital gain treatment under the new carried interest rules, even if it would be in the Capital Advisor Vehicle's interest to hold the investments for shorter periods. See Item 11 below for additional information relating to how we generally address conflicts of interest.

#### **ITEM 7 – TYPES OF CLIENTS**

See Item 4 – Advisory Business.



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategy – Private Equity***

We primarily seek to make significant investments in operating companies through acquisitions and financings. In evaluating a potential portfolio company, we conduct extensive due diligence to analyze, among other things, the company's

- market and competitive position within that market;
- cost and revenue structures;
- unique assets, such as brand strength, distribution capability and intellectual property;
- management team and compensation structure;
- key downside risks;
- contingent liabilities (environmental, regulatory, accounting or otherwise);
- potential growth opportunities; and
- potential exit strategies.

We employ a worldwide network and an integrated investment process. We seek to establish a comprehensive view of key investment issues, including operations, competitors and regulatory constraints, across geographies. Funds are integrated through one centralized investment review process, from sourcing through portfolio management.

In each Fund, we generally seek to build a portfolio that is diversified with respect to transaction type, geographical exposure (as distinct from “domicile”) and sector. We also generally seek to maintain investment balance across industries that we believe are stable or otherwise attractive and industries with attractive long-term secular growth trends. We aim to identify “second derivative” correlations to avoid overweighting to single macroeconomic factors that typically affect different industries and geographies. We also source and present to investors in certain Funds investment opportunities tailored to meet pre-determined investment strategies, and such opportunities may be pursued through a one-investor Fund that represents a separately managed account for such investor. Such strategies include making investments with shorter durations and different targeted returns than those found in traditional private equity funds. Investments in Funds that represent separately managed account arrangements are made on a discretionary basis, and such investments may or may not be made alongside other Funds.

We seek to identify operational enhancements during due diligence and to add value to portfolio companies following an acquisition. We utilize creative operational and financial strategies throughout the portfolio companies' evolution. We and our affiliates employ a group of operating professionals with significant career experience and deep sector expertise. We and our affiliates also employ a group of professionals with highly focused functional specializations.

We have a dedicated TPG operations team with the mission of driving shareholder value creation by engaging throughout the lifecycle of an investment, from the investment due diligence phase through exit. Following investment, the TPG operations team helps identify and execute on revenue growth, operational effectiveness and profit enhancement initiatives. The scope of this group's activities is summarized as follows:

- support the due diligence process by providing sector insights and expertise that informs transaction underwriting and identifying opportunities for operational improvement post-investment;
- support human capital initiatives by enhancing management teams and boards;
- drive the value creation planning process through active engagement with management teams;
- provide business performance oversight; and
- serve as interim executives, when necessary.

#### ***Methods of Analysis and Investment Strategy – Private Equity (Asia)***

In Asia, we focus on sourcing assets in select sectors and markets. We aim to invest in deals we expect will benefit from regional growth trends and leverage our operations capabilities by seeking to acquire or upgrade talent and drive operational change. We seek to create a diversified portfolio across Asian geographies, sectors, control profiles and deal types. We apply a thematic approach to investing, pursuing what we believe to be the most attractive risk-adjusted investment opportunities available.

We seek geographic diversification to help mitigate country-specific risk. We believe the ability to maintain flexibility is important given the geographically expansive region and the variation in the maturities of the economies. As a pan-Asian investor, we invest in both developed and developing countries, which yield different investment opportunities from traditional leveraged buyouts to growth equity. We emphasize control-oriented investments and implement various types of deal structures according to what we deem most appropriate for the market and opportunity and believe that gaining influence (particularly in minority investments) requires creativity, an understanding of local regulatory and political restrictions, credibility as a partner and local relationships.

#### ***Methods of Analysis and Investment Strategy – Private Equity (Growth)***

Our Growth investment team focuses on growth investments and smaller private equity deals, and primarily seeks investments in companies requiring an average equity commitment between \$50 million and \$150 million. Our Growth Funds invest primarily in small- and middle-market growth equity and buyout opportunities and use our substantial institutional resources to contribute to thematic insight, sourcing and investment diligence with the aim of enhancing investment returns.

We pursue investments in three main categories:

1. proactive sector- or geography-based themes that are consistent with our accumulated expertise and views on the market;
2. companies in which our platform capabilities and portfolio create differentiated investing views; and
3. classic middle-market opportunities in which we can buy at attractive valuations and improve the business post-closing with the aim of generating strong risk-adjusted returns.

Our growth investments are often sourced directly through our broader platform, including our network of portfolio companies and relationships. We seek opportunities in which our investing platform or expertise creates differentiated investment opportunities and unique insights that inform the investment thesis and transaction underwriting – what we refer to internally as the “TPG angle.”

We source and invest across the globe, in a variety of sectors. We primarily make growth equity investments and will consider select investments in early-stage opportunities. We seek to diversify Funds by industry and to optimize the capital structure of our portfolio companies to enhance equity returns, using leverage in select situations.

#### ***Methods of Analysis and Investment Strategy – Private Equity (Rise)***

The Rise Fund invests primarily in small buyout, venture capital and growth investment opportunities that have positive social and environmental impact inherent in their core strategy. The Rise Fund represents a paradigm shift, investing at scale to pursue both competitive financial returns and measurable societal benefits. The Rise Fund seeks to harness the diverse skills of a unique group of stakeholders: TPG’s small- and middle-market growth equity and buyout platform (TPG Growth), an advisory board comprising global thought leaders supporting conscientious capitalism (the “Rise Founders’ Board”) and strategic partners. With these complementary perspectives, the Rise Fund thematically expects to select businesses producing goods or services that help address significant societal challenges such as those identified by the United Nations Sustainable Development Goals. Additionally, the Rise Fund has developed a rigorous impact assessment methodology to inform its decisions throughout the investment process.

Similar to TPG Growth, the Rise Fund pursues investments in three main categories:

1. proactive sector, geography or impact- based themes that are consistent with our accumulated expertise and views on the market;
2. companies in which our platform capabilities and portfolio create differentiated investing views; and
3. classic small buyout, venture capital or growth opportunities in which we can buy at attractive valuations and improve the business post-closing with the aim of generating strong risk-adjusted returns and positive social or environmental impact.

Our Rise investments are often sourced directly through our broader platform, including our network of portfolio companies and relationships, as well as the Rise Founders' Board. We seek opportunities in which we believe our investing platform or expertise creates differentiated investment opportunities and unique insights that inform the investment thesis and transaction underwriting — what we refer to internally as the “TPG angle.”

### ***Methods of Analysis and Investment Strategy – Private Equity (Energy Solutions)***

TPG Energy Solutions (“TES”) is as an oil and gas (“O&G”) focused fund targeting long-term private equity type returns through investments in securities expected to provide downside protection and equity upside. TES makes primarily structured investments, including investments in private companies, private investments in public equity, asset-level investments and other directly placed securities, in U.S. O&G companies, with a primary focus on the midstream and upstream sectors. TES’s focus is informed by the ongoing need for external capital in those segments to fund capital projects and a view on valuation for these sectors relative to fundamentals.

TES intends to focus on investments with expected downside protection and an attractive risk-reward proposition. TES pursues investments in two main categories within the O&G sector:

1. preferred equity that is convertible into common equity or combined with warrants to purchase common equity; and
2. asset-level investments that allow upstream and midstream companies to fund development.

TES expects to leverage TPG’s history of structured energy investing to source and execute investments. We believe TES also benefits from the broader TPG platform in several ways, including (i) experience with new investment platforms, (ii) sourcing deals through its broad network, (iii) investment decisions and underwriting discipline and (iv) structuring, financing and capital markets capabilities.

### ***Methods of Analysis and Investment Strategy – Private Equity (Biotechnology)***

We believe that the intrinsic scientific and medical complexities of the healthcare industry, coupled with the pace of progress of the biomedical research community, creates opportunities for investors who possess a sound grasp of these issues and close ties to the research community, and that such biomedical expertise must be coupled with sophisticated business acumen and connections to the venture capital, pharmaceutical and biotechnology industries. Our biotechnology investment team has strong scientific, medical, operating and investing skills from working with the venture capital, biotechnology, pharmaceutical and medical device industries. We seek to leverage those skills to identify inflection points in the valuation of companies and to recognize the time when an intriguing scientific result becomes a commercially realistic opportunity.

We invest in early- and late-stage venture capital companies in the biotechnology and related life sciences industries, as well as having selective exposure to growth equity, later-stage buyout and structured finance pharma opportunities through co-investing with the broader TPG healthcare

ecosystem focusing on those companies that specialize in therapeutics, healthcare services, medical technologies and emerging opportunities that may arise as a result of shifts in market trends.

We employ a science-based market approach that we believe allows us to effectively

- handicap the likelihood of a product's clinical and regulatory success;
- assess the challenges of commercialization, including payor and physician acceptance; and
- identify new commercial applications of proprietary technology.

Our investment team comprises a combination of scientific, medical, executive, operational and investment experience that we believe is well-suited to the challenges of identifying, evaluating and building the next generation of life sciences companies. Increasingly, investors are asked to assess the potential therapeutic and market value of a compound or the clinical utility and importance of a molecular diagnostic or medical device. We apply an operationally intensive approach in order to maximize portfolio company success. We believe that maintaining an active focus on portfolio construction allows us to optimize risk/reward with respect to our capabilities and the overall market conditions during the investment period. As strategic and public market interest in various sectors and stages of companies change over time, our portfolio construction approach aims to facilitate alternative exit options for various investments.

We seek to source investment opportunities through relationships with the academic community, executives and scientists in the pharmaceutical and biotechnology industries, other venture capital firms, our global platform and a network of entrepreneurs and executives.

### ***Methods of Analysis and Investment Strategy – TPG ART***

TPG Alternative and Renewable Technologies, L.P. ("TPG ART") is a growth and late-stage venture fund, focused on investing globally in companies focused on industrials, energy services and agriculture, where sustainability and efficiency can create meaningful business advantage.

Historically, much of the alternative and renewable technology investing has focused either on very early-stage venture-type technology investing or later-stage project finance, with less capital available to address deployment and "first build" risk. To date, much of the technology has originated in the United States or European Union and has targeted deployment within those regions, even though other regions, such as developing markets, might be more suitable for economic, geographic or regulatory reasons. TPG ART believes that this dynamic creates opportunities to identify good technologies and fund them through the company development lifecycle, help expand their geographic reach as well as to identify mid- to later-stage opportunities that have "stalled" prior to deployment.

### ***Material Risks of Significant Investment Strategies***

The investment strategies described above, and other strategies that Capital Advisors Vehicles pursue, involve a substantial degree of risk, and the Capital Advisors Vehicles may lose all or a

substantial portion of the value of their investments. Material risks relating to the investment strategies and methods of analysis described above are described in more detail in the applicable Capital Advisor Vehicle's offering documents, and our representatives are available to discuss with potential investors the risks involved in the strategies a Capital Advisors Vehicle pursues. Such material risks include those set forth below.

While the following discusses the risks as they relate to the "Funds," Co-Investment Vehicles will be subject to some or all of the following risks, depending on the risks associated with the applicable transaction or investment strategy. To the extent certain Co-Investment Vehicles pursue investments or strategies that are not pursued by the Funds, such Co-Investment Vehicles will likely be subject to additional risks, as described in their respective offering documents.

*Market Conditions and Financial Market Fluctuations.* Market and economic conditions throughout the world materially affect a Fund's investments. These conditions include

- interest rates;
- availability and terms of credit;
- credit defaults;
- inflation rates;
- economic uncertainty;
- changes in laws;
- regulatory interventions and changes in regulations;
- changes in fiscal and monetary policies;
- trade barriers;
- commodity prices;
- currency exchange rates and controls; and
- national and international political, environmental and socioeconomic circumstances, including the risks of war and the effects of terrorist attacks.

Difficult market conditions also adversely affect a Fund and its returns by reducing the value or performance of its investments or by reducing its ability to raise or deploy capital.

Instability in the securities markets and economic conditions generally also increase the risks inherent in the Funds' investments. For example, volatile market conditions can lead to significantly diminished availability of credit and an increase in the cost of fundraising, which can materially hinder the initiation of leveraged transactions. In addition, the ability to realize

investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations.

As a result of the foregoing, we may not be capable of, or successful at, preserving the value of Fund assets, generating positive investment returns or effectively managing Fund risks.

*Competition for Investments.* The Funds compete for investment opportunities with funds and other investment vehicles having similar investment objectives or strategies. Potential competitors include other investment funds, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Certain of these entities possess competitive advantages over a Fund, including

- greater financial, technical, marketing and other resources;
- higher risk tolerances;
- different risk assessments;
- lower return thresholds;
- lower cost of capital;
- access to funding sources unavailable to a Fund; and
- an ability to achieve synergistic cost savings in respect of an investment.

In addition, a large number of private investment funds have been formed over the past several years, and many recently formed and existing private investment funds are able to call substantial amounts of unused capital commitments, resulting in a significant amount of capital available for investment in such opportunities.

*Risks Associated with Publicly Traded Securities.* From time to time the Funds invest in publicly traded securities and hold publicly traded securities following a partial exit from an investment. When investing in public securities, a Fund may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making privately negotiated investments. Moreover, a Fund may not have the same access to information in connection with investments in public securities, either when investigating a potential investment or after making an investment, as compared to privately negotiated investments. Furthermore, a Fund would be limited in its ability to make investments, and to sell existing investments, in public securities if we have material, non-public information regarding the issuers of those securities or as a result of other internal policies. The inability to sell public securities in these circumstances could materially adversely affect the investment results of the Fund. In addition, a Fund may sell a portfolio company to a public company where the consideration received consists (at least in part) of stock of the public company, which may be subject to lock-up periods. Investments in securities of publicly traded companies are sensitive to general movements in the stock market and trends in the overall economy. Moreover, the

ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

*Potential Lack of Diversification.* While diversification is generally a Fund objective, there is no assurance as to the degree of diversification that will actually be achieved in a Fund's investments. Because a substantial portion of certain Funds' committed capital could be invested in a single portfolio company or asset, a loss with respect to any single portfolio company could have a significant adverse effect on a Fund's returns. Co-Investment Vehicles formed for the purpose of pursuing a particular investment strategy or a particular transaction will be particularly exposed to the legal and financial risks associated with that strategy or transaction, as applicable, and generally will not be able to achieve a level of diversification comparable to the Funds. Even if a Fund achieves significant diversification, such diversification would not necessarily provide meaningful risk control and may reduce a Fund's profit potential.

*Reliance on Our Professionals.* The success of a Fund will depend in large part upon the skill and expertise of our professionals and those of our affiliates. There can be no assurance that any individual professional will continue to be associated with a Fund or that replacements will perform well. Our ability to recruit, retain and motivate qualified investment professionals is dependent in part on our ability and that of our affiliates to offer attractive incentive opportunities. There is competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified investment professionals. Should any of our professionals join or form a competing firm, become incapacitated or in some other way cease to participate in investment activities of a Fund, its performance could be adversely affected. Recently enacted Tax Reform in the United States has increased the holding period required in order for professionals to treat carried interest as capital gain, which may increase the amount of taxes such professionals would be required to pay with respect to their carried interest. If additional, broader legislation were to be enacted to treat carried interest as ordinary income rather than a capital gain, the amount of taxes that our professionals would be required to pay with respect to their carried interest would materially increase, thereby adversely affecting our ability and that of our affiliates to offer attractive incentive opportunities.

*Reliance on the Management of Portfolio Companies.* Although we intend to ensure that Fund portfolio companies have strong management teams and/or to assist in enhancing management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully. With respect to emerging companies, we may have limited ability to evaluate the management of such companies based on past performance, and such companies may rely more on individual members of the management team than more established companies do. In addition, instances of fraud, other deceptive practices and/or other misconduct committed by the management teams of portfolio companies may undermine our due diligence efforts with respect to such investments or otherwise adversely affect the operations of a portfolio company. If such fraud, other deceptive practices and/or other misconduct is discovered, it could adversely affect the valuation of the Fund's investment.

*Sourcing of Investments.* We expect to source a substantial volume of a Fund's investment opportunities through our personnel, relationships and various platforms. To the extent these sourcing channels do not present us with a sufficient volume of investment opportunities, or the



opportunities presented are not suitable for investment by a Fund, the Fund's performance will be adversely affected.

*Extensive Government Regulation.* The extensive government regulation of certain industries in which certain Funds invest creates additional uncertainty and risks for the Fund. Certain investments may require regulatory approval to consummate (for example, antitrust-related approval), and the failure to obtain such approvals may prevent the Fund from consummating the applicable investments. Obtaining regulatory approval is often a lengthy and expensive process with an uncertain outcome, and portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, which could materially and adversely affect their performance.

*Tax Considerations.* We expect the Funds to be subject to income and/or withholding taxes in the various jurisdictions in which they conduct investment activities. The rate of any withholding taxes and the creditability of such foreign taxes typically depend in part on the facts and circumstances relating to the particular investment and generally would differ for each investment.

The Funds may invest in jurisdictions in which the tax treatment of the Funds and their activities is uncertain or subject to changing interpretations (including retroactively) or enforcement practices. The Funds will take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. In particular, there are significant uncertainties regarding the interpretation and application of the broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") that was signed into law on December 22, 2017 (the "Tax Act"). While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes the Tax Act made to the Code and any further changes in tax laws or interpretation of such laws may be adverse to the Funds.

*Changes in the Political Environment of the United Kingdom and Europe.* The global economy may be adversely affected by changes in the political environment of the United Kingdom and Europe following the result of the United Kingdom's referendum on June 23, 2016 calling for the United Kingdom to withdraw from the European Union, or "Brexit." In accordance with the referendum, the UK government gave notice on March 29, 2017 of the United Kingdom's withdrawal from the European Union, commencing negotiations regarding the United Kingdom's orderly exit from the European Union and the terms of the United Kingdom's relationship with the European Union thereafter, including with respect to trade. This negotiation process is likely to be lengthy and complicated. Although we cannot predict the full impact of Brexit, Brexit could have a significant adverse impact on United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. The announcement of Brexit caused volatility in global stock markets and currency exchange rate fluctuations. Brexit's continuing or future macroeconomic effects could adversely affect the value of a Fund's investments and ability to access markets, as well as limit the Fund's investment opportunities and exit options.

In addition, the United Kingdom's immigration policy (in respect of both European Union and third-country nationals) following Brexit is subject to significant uncertainty. Many of our Europe-focused investment professionals are currently based in London, England, and the

adoption of any new immigration policies may adversely affect our ability to attract and retain professionals in the United Kingdom.

*Increased Regulatory Oversight.* The financial services industry generally, and the activities of private investment funds and their managers, in particular, have in recent years been subject to intense regulatory oversight. As a result of such oversight, we anticipate that, in the normal course of business, our officers will have contact with governmental authorities and/or be subjected to responding to inquiries or examinations. We would also expect the Funds to be subject to regulatory inquiries concerning their securities positions and trading.

The passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Pursuant to the Dodd-Frank Act, the SEC adopted rules that require reporting by registered investment advisers to private funds, which have added costs to our legal, operations and compliance obligations, and those of the Funds and their general partners, and have increased the amount of time that we spend on non-investment-related activities.

The Dodd-Frank Act currently affects a broad range of market participants with whom the Funds interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, broker-dealers, futures commission merchants and swap dealers. It is difficult to predict the future of the Dodd-Frank Act or to anticipate the effect of these and other regulatory changes on a Fund and its general partner, and such continued uncertainty may increase market volatility, making it more difficult for us to execute the investment strategy of a Fund.

In addition, on August 25, 2015, the U.S. Treasury Department’s Financial Crimes Enforcement Network released a notice of proposed rulemaking that would impose anti-money laundering compliance obligations on registered investment advisers. These proposed rules (or other rules that may be proposed in the future) may further increase our compliance obligations and related costs, require us to obtain certain information or representations from investors and increase the amount of time we spend on non-investment-related activities.

The implementation of the European Union’s Directive 2011/61/EC on Alternative Investment Fund Managers (the “AIFM Directive”) could have an adverse effect on the continued operation of a Fund where limited partner interests are offered to or placed with investors in any European Economic Area (“EEA”) Member State that has implemented the AIFM Directive. The AIFM Directive applies to the manager of any investment fund that is not authorized under the Undertakings for Collective Investment in Transferable Securities Directive (an “AIF”) or does not otherwise fall within a relevant exclusion under the AIFM Directive (an “AIFM”).

A Fund’s general partner will be restricted in marketing the Fund to investors who are domiciled or have a registered office in any EEA Member State where the AIFM Directive is in force. This could limit the Fund’s ability to attract investors, resulting in a lower overall amount of capital, which limits the range of investment strategies and investments that the Fund is able to pursue and make.

We and a Fund's general partner will be required to comply with additional initial disclosure, annual reporting and regulatory filing requirements in relation to a Fund and, in certain EEA Member States, will be required to comply with registration requirements, including the requirement to appoint a depository. Compliance with these requirements will result in additional costs to the applicable Fund, reducing the returns for investors. The need to comply with any such registration requirements has the potential to delay the fundraising process, thereby reducing the speed with which we and the Fund's general partner can deploy the capital raised.

The AIFM Directive will impose certain requirements and restrictions on a Fund where the Fund acquires control of a portfolio company in an EEA Member State. These requirements will include making certain notifications and disclosures where a Fund acquires or disposes of shares in an EEA portfolio company. The restrictions will include restrictions on the extent to which a Fund can bring about or support distributions, acquisition of shares or reductions in the capital of an EEA portfolio company. These requirements and restrictions could limit the use of certain investment and realization strategies, such as dividend recapitalization and reorganizations. These requirements and restrictions could also place a Fund, its general partner and us at a disadvantage against competitors that do not use a fund structure or whose fund(s) have not been marketed in any EEA Member State. In addition, compliance with these requirements and restrictions often results in additional costs to a Fund, reducing the returns for investors.

There remains some uncertainty as to the manner in and extent to which the AIFM Directive is being implemented in various EEA Member States. This uncertainty increases the risk of a breach by a Fund's general partner and us in an EEA Member State of the requirements imposed by the AIFM Directive. Such a breach could result in a regulatory authority or court in that or another EEA Member State requiring the general partner and us to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against a Fund, its general partner, or us. This could result in a reduction in the overall amount of capital available to a Fund, thus potentially limiting the range of investment strategies and investments that the Fund is able to pursue and make or otherwise result in a loss to the Fund.

*Investments in Early-Stage and Late-Stage Companies.* Certain Funds invest in companies that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets and management teams that may have limited experience working together, all of which enhance the difficulty of evaluating these investment opportunities. The management of these companies will need to implement and maintain successful marketing, finance and other operational strategies in order to become and remain successful. Other substantial operational risks to which these companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried and/or untested business models, products and services, high levels of competition among similarly situated companies, lower capitalizations and fewer financial resources and the potential for rapid organizational or strategic change. Any investments in early-stage companies are considered highly speculative and may result in the loss of the Fund's entire investment.

Certain Funds also invest in later-stage companies, which involve different types of risks. These companies typically have obtained capital in the form of debt and/or equity to expand rapidly,

reorganize operations, acquire a business or develop new products and markets; these activities by definition involve a significant amount of change and could cause significant issues in sales, manufacturing and general management.

*Additional Capital Requirements of Portfolio Companies.* Certain of a Fund's portfolio companies, especially those in a development phase, require additional financing to satisfy their working capital requirements or acquisition strategies. Each round of financing (whether from the Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone, and the amount of such additional financing will depend upon the maturity and objectives of the portfolio company. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. A Fund also may make additional debt and equity investments or exercise warrants, options or convertible securities it acquired in the initial investment in a portfolio company in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when a portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of a Fund or any portfolio company. There can be no assurance that we or the portfolio company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

*Investments in Junior Securities.* The Funds often invest in companies that have already received one or more rounds of financing. The securities in which a Fund will invest in these instances may be among the most junior in a portfolio company's capital structure and thus subject the Fund to a greater risk of losing all or part of its invested capital. There will often be no collateral to protect a Fund's investment in such securities.

*Uncertainty Regarding Investments.* Although we dedicate substantial time and resources to conduct appropriate due diligence prior to making an investment, the due diligence process is subjective at times and may be undertaken on an expedited basis and/or on the basis of imperfect information in order to take advantage of available investment opportunities. The due diligence process also at times requires us to rely on the limited resources available to us, including information provided by the target of the investment and third-party consultants, legal advisers, accountants and investment banks. As a result, the due diligence investigation may not reveal or highlight all relevant facts that are necessary or helpful in evaluating such investment opportunity. Our due diligence investigations cannot ensure the success of our investments.

*Dependence on Patents, Trademarks and Other Intellectual Property.* Certain Fund investments will depend heavily on intellectual property rights, including patents, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a portfolio company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product.

*Availability of Financing.* A Fund's ability to invest in portfolio companies often depends on the availability and terms of any borrowings that are required or desirable with respect to such investments. For example, from time to time the market for private investment transactions has been adversely affected by a decrease in the availability of senior or subordinated financings for transactions. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, would impair a Fund's ability to consummate these transactions and would adversely affect the Fund's returns.

*Investments in Restructurings.* Certain Funds invest in restructurings involving portfolio companies that are experiencing or are expected to experience financial difficulties. These portfolio companies may never overcome these financial difficulties and may become subject to bankruptcy proceedings. Investments in restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences and lender liability and by a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments. Such investments could, in certain circumstances, subject a Fund to certain additional potential liabilities that have the potential to exceed the value of its original investment. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor will have its claims subordinated or disallowed or found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, a bankruptcy court could reclaim a payment to a Fund or a Fund's distributions to its limited partners if the court determines that the payment or distribution is a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy or insolvency laws.

*Investments in Operating Turnarounds.* In some cases, the success of a Fund's investment strategy will depend in part on our ability to restructure and improve the operations of a portfolio company. Identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty, and there can be no assurance that we will be able to successfully do so.

*Non-U.S. Investments.* Funds from time to time make investments outside of the United States, including in certain developing foreign markets. Investments in the securities of foreign issuers may be restricted or controlled to varying degrees. These investments require consideration of risks not typically associated with investing in U.S. securities or property, including, among other things,

- trade balances and imbalances and related economic policies;
- potential price volatility in, and relative illiquidity of, some non-U.S. securities markets;
- unfavorable currency exchange rate fluctuations;
- imposition of exchange control regulation by the U.S. or foreign governments;
- U.S., foreign or other withholding taxes;

- limitations on the removal of funds or other assets;
- policies of governments with respect to possible nationalization of their industries; and
- political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

Laws and regulations of foreign countries may impose restrictions that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. There is generally less publicly available information about foreign companies than would be the case for comparable companies in the United States, and certain foreign companies are not subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Some countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular company or restrict investment by foreign persons to a specific class of securities of a company that have less advantageous terms than the classes available for purchase by nationals. Certain countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. Delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as the application to the Fund of restrictions on investments, could adversely affect a Fund. In addition, because a Fund's investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Fund's assets denominated in those currencies.

*Investments in Developing Market Countries.* Certain Funds make investments in developing market countries. Investments in developing market countries are often subject to more substantial risks in political and macro-economic conditions, such as significant currency fluctuations, changes in governmental controls over the economy and high rates of inflation, and these factors may have a materially adverse effect on a Fund's investments. Moreover, the economies of developing market countries generally are more heavily dependent upon international trade than developed market countries and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Expropriation, confiscatory taxation, nationalization, political, economic or social instability or other developments could adversely affect Fund assets held in particular developing market countries.

Laws and legal standards in many developing market countries differ from those in the United States. The general trend of legislation in certain countries has improved the legal climate for business, including by enhancing somewhat the protection afforded foreign investment. This positive trend in economic legislation, however, may slow, cease or reverse, particularly in the event of a change in leadership, social disruption or other circumstances. In addition, many developing market countries do not have well-developed shareholder rights and provide inadequate legal remedies for breaches of contract (e.g., a shareholder agreement). A Fund's ability to bring suit against a developing market entity in which the Fund invests, or such entity's directors, executive officers or shareholders, may be limited. Such entities are likely organized

under the laws of countries other than the United States, their directors and officers likely reside outside of the United States, and substantially all of their assets may be located outside of the United States. As a result, the Fund will likely be unable to effect service of process within the United States upon such entities or their directors and officers. Even where a Fund successfully sues an entity in the United States, enforcement of the judgment in certain jurisdictions may be difficult or impossible. Limited or inadequate legal protection could have a material adverse effect on a Fund's investments.

*Real Estate.* Certain Funds have invested in real estate and may make investments for which real estate is an incidental but significant portion of the investment's asset base or value. Investments in real estate include, among other things, investments in private platform, corporate control and public company investments, and may consist of both debt and equity assets. There are numerous risks related to the ownership and operation of real estate, including

- fluctuations in the overall economy;
- national and local real estate conditions;
- dependence on cash flow;
- management direction and quality;
- increased competition with respect to rental rates;
- property attractiveness and location;
- financial condition of tenants, buyers and sellers of properties;
- quality of maintenance, insurance and management services;
- natural disasters; and
- changes in operating costs.

Government laws and regulations also may affect the results of a real estate investment, including those governing or related to usage, improvements, zoning, the environment, taxes and securitization of residential and commercial mortgages, as do the levels of unemployment and interest rates and the availability of financing. In addition, the real estate markets have experienced significant volatility in recent years.

*Interest Rate Risks.* Certain Funds will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect them. Factors that may affect market interest rates include

- inflation,
- slow or stagnant economic growth or recession,

- unemployment,
- money supply and the monetary policies of the Board of Governors of the U.S. Federal Reserve,
- international disorders and
- instability in domestic and foreign financial markets.

We expect to periodically experience imbalances in the interest rate sensitivities of a Fund's assets and liabilities and the relationships of various interest rates to each other. In a changing interest rate environment, we may not be able to manage this risk effectively. Failure to manage interest rate risk effectively could adversely affect the Fund's performance.

*Hedging Transactions and Risks; Synthetic Investments.* In connection with certain investments, some Funds employ hedging techniques intended to reduce the risks of these investments, including, for example, adverse movements in interest rates, securities prices and currency exchange rates. However, we are not required to employ such hedging techniques in connection with Fund investments, and may be unable to anticipate all risks against which we could employ such hedges. In addition, hedging transactions have inherent risks, including the possible default by the counterparty to the transaction and the illiquidity of the instrument a Fund acquires. Although these transactions aim to reduce a Fund's exposure to, among other things, currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements may reduce the returns a Fund would have otherwise achieved had the Fund not entered into these transactions. Also, while hedging transactions generally hedge economic risks, they are not always effective hedges for tax purposes. For example, the tax character of the gain or loss on the hedging transaction may differ from the character of the gain or loss on the investment, or the timing of the gain or loss for tax purposes may differ between the hedging transaction and the investment. Finally, changes to the regulations applicable to the financial instruments a Fund uses to accomplish its hedging strategy, including the CFTC's current and proposed rules on position limits for derivatives, could limit the effectiveness of that strategy or require more onerous reporting.

With respect to any investments in synthetic instruments, a Fund has a contractual relationship only with the synthetic instrument counterparty, and no direct rights with respect to the underlying asset. A Fund may not have any voting, information or other rights of ownership with respect to the underlying asset. In addition, a Fund will be subject to the credit risk of the synthetic instrument counterparty, and, in the event of the insolvency of that counterparty, generally will be treated as a general creditor of that counterparty and will not have any claim of title with respect to the underlying asset.

Portfolio companies may also employ hedging techniques, and such hedging activities would be subject to the same risks and limitations discussed above.

*Co-Investment Warehousing.* A Fund from time to time will acquire and temporarily set aside, or "warehouse," a portion of an investment opportunity in order to facilitate a co-investment by one or more affiliated or third-party co-investors. If the co-investment is not ultimately



consummated, the Fund would end up holding a larger portion of the investment than it otherwise expected or desired to hold. The risk of a co-investment not being consummated generally would increase in the event an investment decreases in value during the warehousing period, potentially requiring the Fund to bear the losses in connection with the investment. We typically determine the cost of the co-investment in our sole discretion, taking into account its cost to the relevant Fund, the cost of capital and other factors, and may not charge the co-investors an amount that accurately reflects any appreciation in the value of the investment or appropriately compensates the Fund for the costs and risks incurred during the holding period.

*Bridge Financings.* From time to time, a Fund lends to one of its investments on a short-term, unsecured basis in anticipation of a future issuance of more permanent, long-term equity or debt securities. However, for reasons not always in a Fund's control, such long-term securities may not be issued and such bridge loans may remain outstanding. If that happens, the interest rate on such loans generally would not adequately reflect the risk associated with the unsecured position taken by the Fund.

*Potential Reporting Obligations; Other Regulatory Regimes.* Acquisitions by a Fund of equity securities are expected to result from time to time in reporting and compliance obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or their equivalent regimes in non-U.S. jurisdictions. Portfolio companies may also subject a Fund and, in limited circumstances, its partners, to other regulatory and reporting requirements. Investments in the communications, insurance, financial services, healthcare and mortgage industries could require a Fund to secure regulatory approvals or licenses, or to disclose information about itself or its equity holders. Applying for and obtaining these regulatory approvals or licenses is often a lengthy and expensive process with an uncertain outcome. Portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, which could materially and adversely affect their performance. In addition, a Fund will be subject to tax reporting requirements in the United States and possibly in other jurisdictions. The costs of compliance will be borne by such Fund.

*Third-Party Involvement.* Funds co-invest from time to time with third parties through joint ventures or other entities. These investments involve risks in connection with such third-party involvement, including the possibility that a third-party co-investor or co-venturer has financial, legal or regulatory difficulties that negatively affect the investment, has economic or business interests or goals that are inconsistent with those of a Fund or is in a position to take (or block) action in a manner contrary to a Fund's investment objectives. In addition, a Fund will in certain circumstances be liable for the actions of its third-party co-investors or co-venturers. In circumstances in which third parties involve a management group, such third parties may receive compensation arrangements relating to the investments, including incentive compensation arrangements or fees based on the value of assets managed.

*Uncertainty of Financial Projections.* We generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for these companies. We normally base projected operating results primarily on management judgments. Projections are only estimates of future results that rely upon assumptions made at the time that the projections are developed. There can be no assurance that a portfolio company will achieve its projected results,

and actual results can vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections.

*Controlling Interests and Provision of Managerial Assistance.* Because of its equity ownership, representation on the board of directors and/or contractual rights (if applicable), a Fund often controls, participates in the management of or influences substantially the conduct of portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a Fund may suffer a significant loss, exposing the assets of the Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies, which may exceed the value of the Fund's initial investment in that portfolio company. While we intend to reduce exposure to these risks to the extent practicable, the possibility of successful claims cannot be precluded.

In addition, the provision of managerial assistance to a portfolio company could result in a Fund being characterized as a "trade or business" for purposes of the Employee Retirement Income Security Act of 1974 ("ERISA") controlled group liability, and, in cases where a Fund has a significant ownership interest (generally 80% or more) in such portfolio company, there is a risk that the Fund and any portfolio company could be subject to controlled group liability under ERISA. These liabilities generally include funding obligations to single-employer pension plans and withdrawal liability from union-sponsored multiemployer pension plans. In July 2013, the U.S. Federal Court of Appeals for the First Circuit held that the portfolio company management activities of a private equity fund could cause the fund to be regarded for ERISA controlled group liability purposes as engaging in a "trade or business" (the "2013 Sun Capital Case"). Further, in March 2016, the U.S. District Court for the District of Massachusetts held that affiliated private equity funds investing in the same portfolio company may form a "partnership-in-fact." The District Court found that the affiliated funds forming the de facto partnership would be subject to controlled group liability if the funds together held 80% or more of the portfolio company in question (together with the 2013 Sun Capital Case, the "Sun Capital Cases"). Although the impact of the holdings in the Sun Capital Cases is unclear, the possibility of "trade or business" characterization remains a risk for the Funds, especially in the First Circuit. Furthermore, the ownership interest of a Fund in some or all of its U.S. portfolio companies could be sufficient to create a controlled group relationship, especially if the ownership interests of Related Funds and/or parallel funds are aggregated when applying the controlled group ownership tests. Although many practitioners believe that such aggregation should not be required, there is some risk that a court might find otherwise, especially in the District of Massachusetts.

*Non-Controlling Investments.* A Fund often holds less than 50% of the outstanding voting interests of a portfolio company and may hold investments in debt instruments or other securities that do not entitle the Fund to voting rights. In these cases, the Fund has a limited ability to protect its investment in such portfolio company. The Fund also typically is significantly reliant on the existing management, board of directors and other shareholders of such portfolio companies, who generally will not be affiliated with us or the Fund, and whose interests at times will conflict with the interests of the Fund.

*Risk Management; Operational Controls.* The operational controls and risk management techniques we use involve third parties over whom we do not exercise control, including outsourced providers of fund administration and custody services. The proper operation of a Fund and safekeeping of its assets depends on the performance and financial wherewithal of these third parties. The operational controls and risk management techniques we use also necessarily include subjective elements, making the judgment and discretion of our investment professionals, and our control-side professionals, fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for us to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external process, failures in systems and technology, changes in personnel and errors caused by third parties. While we seek to minimize these events through controls and oversight, there may still be failures that could cause losses to a Fund.

*Cybersecurity Risk.* As the use of technology, particularly internet-based programs and data storage applications, increases, we may be more susceptible to operational risks through breaches of our information and technology systems or through breaches of our third-party service providers that hold our information and/or have access to our technology systems. We, our 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 our efforts and those of our service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of our 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 our systems and those of our service providers or counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of our systems to disclose sensitive information in order to gain access to our data or that of a Fund's investors. Whether intentional or unintentional, a cybersecurity breach may cause us, Funds or portfolio companies to lose proprietary information, suffer data corruption or expose information to misuse. Unauthorized access could lead to physical damage to a computer or network system (and costs associated with system repairs), loss or theft of investors' funds, the inability to access electronic systems, a failure to maintain the confidentiality and privacy of sensitive information (including the loss of investors' confidential or personal information), loss of capabilities essential to our, the Funds' and/or the portfolio company's operations, financial losses from remedial actions, loss of business, reputational harm or potential liability. In addition, we 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. Cybersecurity risks also result in ongoing preventative measures and compliance costs.

*Environmental Matters.* The ordinary operation of, or the occurrence of an accident with respect to, a portfolio company asset could cause major environmental damage, which may result in

significant financial distress to such asset or portfolio company, if not covered by insurance. In addition, persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by those persons.

Certain environmental laws and regulations may require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination. A Fund may therefore be exposed to substantial risk of loss from environmental claims arising in respect of its investments. Furthermore, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of its acquisition and that could not have been foreseen. Community and environmental groups may protest about the development or operation of portfolio company assets, which may induce government action to the detriment of a Fund. New and more stringent environmental or health and safety laws, regulations and permit requirements, or stricter interpretations of current laws, regulations or requirements, could impose substantial additional costs on a portfolio company, or could otherwise place a portfolio company at a competitive disadvantage compared to other companies, and failure to comply with any such requirements could have an adverse effect on a portfolio company.

Even in cases where a Fund is indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of the Fund to achieve enforcement of such indemnities.

*OFAC and FCPA Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit us, a Fund and its portfolio companies from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit certain investment activities, and if a Fund or its portfolio companies were to violate any such laws or regulations, it may face significant legal and monetary penalties.

The U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws and regulations may also apply to and restrict the activities of certain Funds and their portfolio companies. If a Fund or its portfolio company were to violate any such laws or regulations, such the Fund or portfolio company may face significant legal and monetary penalties. Even if an investigation or proceeding does not result in a finding of a violation of any such laws or regulations, or the penalties a regulator imposes on against a Fund or its portfolio company were small in monetary amount, the costs associated with regulatory investigations or adverse publicity relating to the investigation or proceeding could adversely affect the business, financial condition or results of operations of the Fund or portfolio company. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that a Fund's portfolio companies or the Fund become the subject of such actual or threatened enforcement. In addition,

certain commentators have suggested that private equity firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by a Fund or its portfolio company could have a material adverse effect on the Fund.

*Contingent Liabilities and Liabilities Upon Disposition of an Investment.* From time to time, a Fund will incur contingent liabilities in connection with an investment. For example, a Fund may enter into agreements pursuant to which it assumes responsibility for default risk presented by a third party. In connection with the disposition of a portfolio company, a Fund may be required to make representations about the business and financial affairs of that company typically made in connection with the sale of assets or a business and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of the investment to the extent such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which will be borne by the Fund. The Fund may incur numerous other types of contingent liabilities, and there can be no assurance that such Fund will adequately reserve for its contingent liabilities or that such liabilities will not have an adverse effect on the Fund. A Fund's investors may be required to return amounts distributed to them to fund Fund obligations, including indemnity obligations.

*General Business and Market Risks.* In addition to the risks highlighted in the preceding paragraphs, the investments made by a Fund involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Except as described below, TPG does not have any legal, financial or other “disciplinary” event to report. As a registered investment adviser, TPG is obligated to disclose any legal disciplinary event that would be material to a client when evaluating the adviser’s advisory business or integrity of its management.

On March 11, 2019, the U.S. Attorney’s Office for the District of Massachusetts filed a criminal complaint against William E. McGlashan, Jr. and 31 other individuals for conspiracy to commit mail fraud and honest services mail fraud under 18 U.S.C. 1349.

The U.S. Attorney’s Office alleges that, between November 2017 and October 2018, Mr. McGlashan conspired through a college counseling business (1) to bribe school officials to facilitate his son’s admission to college as a recruited athlete, and (2) to bribe test administrators to review and correct his son’s answers to a standardized college entrance exam, the results of which were submitted as part of his son’s college applications. The case remains pending in the U.S. District Court for the District of Massachusetts. Mr. McGlashan is a management person of TPG Growth II Management, LLC; TPG Growth III Management, LLC; TPG Growth IV Management, LLC; The Rise Fund Management, LLC; and The Rise Fund Management II,

LLC. On March 12, 2019, Mr. McGlashan was placed on indefinite administrative leave. On March 14, 2019, Mr. McGlashan was terminated for cause and is therefore no longer associated with these advisers.

On December 21, 2017, without admitting or denying any wrongdoing, TPG Capital Advisors, LLC consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and Rules 206(4)-7 and 206(4)-8 thereunder. According to the SEC order, with respect to certain private equity funds, TPG Capital Advisors, LLC did not provide sufficient pre-commitment disclosure regarding the acceleration of otherwise authorized fees paid by its portfolio companies upon the termination of monitoring fee agreements. The order also found that TPG Capital Advisors, LLC did not adopt and implement a written compliance policy or procedure regarding the foregoing. TPG Capital Advisors, LLC agreed as part of the settlement to pay disgorgement of \$9,487,620.80 (plus prejudgment interest of \$361,507.99) to limited partners of certain private equity funds and a civil monetary penalty of \$3,000,000 to the SEC.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

*TPG Capital BD, LLC and TSSP BD, LLC.* Our affiliates TPG BD and TSSP BD are broker-dealers registered with the SEC and members of FINRA. TPG BD and TSSP BD

- place securities and instruments issued by
  - certain private investment funds that we and our related entities manage individually or through our principals; and
  - other entities not related to us or our related entities; and
- participate in the syndication of opportunities to co-invest in portfolio companies alongside certain Capital Advisors Vehicles and third parties.

TPG BD also

- participates in underwriting syndicates and/or selling groups with respect to securities and instruments issued by portfolio companies of a Capital Advisors Vehicle (whether in primary or secondary offerings);
- acts as arranger (or in a similar capacity) with respect to loans or lines of credit to Capital Advisors Vehicles, portfolio companies of Capital Advisors Vehicles and third-party borrowers (or in respect of similar debt instruments);
- in some cases, will act as a broker in transactions on behalf of Capital Advisors Vehicles; and
- provides advisory services to portfolio companies of Capital Advisors Vehicles.

TPG BD may act as the sole, lead or managing financial institution in these transactions when consistent with its authorization as a registered broker-dealer.

In connection with its involvement in the public or private placement of securities or instruments issued by portfolio companies of Capital Advisors Vehicles, TPG BD may directly or as part of an underwriting syndicate purchase from such portfolio companies the securities or instruments issued.

For a description of the fees, commissions and other compensation TPG BD, TSSP BD and other affiliates receive in respect of the activities described above, please see Item 5 above.

For a description of material conflicts of interest created by our relationships with TPG BD and TSSP BD, please see Item 11 below.

*Other Investment Advisers.* The following investment advisers are affiliates of ours:

- TPG Global Advisors, LLC;
- Arrow Ridge Capital Advisors, LLC;
- TPG Opportunities Advisers, LLC;
- TPG PEP Advisers, LLC;
- TPG RE Finance Trust Management, L.P.;
- TPG Real Estate Advisers, LLC; and
- TSL Advisers, LLC,

along with their respective relying advisers.

For a description of material conflicts of interest created by the relationship among us and our affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

*General Partners of Capital Advisors Vehicles.* Various entities serve as general partners of the Capital Advisors Vehicles, and are our related persons. For a description of material conflicts of interest created by the relationship among us and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

We have adopted a comprehensive Code of Ethics that is applicable to, among others, all of our officers and employees, certain temporary personnel and certain of our affiliates and their

officers and employees (collectively, “Capital Advisors Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations.

Capital Advisors Personnel and their families and households will from time to time purchase investments for their own accounts, including the same or similar types of investments as may be purchased or sold by a Capital Advisors Vehicle, subject to the terms of the Code of Ethics. The Code of Ethics generally permits such transactions only if

- the transaction is “pre-cleared” by our Chief Compliance Officer or his/her designee; or
- the transaction is exempt from pre-clearance under the Code of Ethics.

The investment policies, fee arrangements and other circumstances of these personal investments often vary from those of the Capital Advisors Vehicles. As our officers, principals and employees typically also make investments in or alongside the Capital Advisors Vehicles, they have conflicting interests with respect to these investments.

Under the Code of Ethics, Capital Advisors Personnel also are required to file certain periodic reports with the Chief Compliance Officer or his/her designee as required by Rule 204A-1 under the Advisers Act. The records of any such trades by Capital Advisors Personnel will not be open to inspection by the investors. Our management may from time to time implement additional internal policies or restrictions on trading by Capital Advisors Personnel and their family/household that are in addition to the requirements of our Code of Ethics.

We will provide a copy of the Code of Ethics to any Capital Advisors Vehicle or prospective client upon request.

### ***Participation or Interest in Client Transactions; Related Person Investments***

Please see “*Conflicts of Interest*” below for information regarding circumstances in which we or a related person

- recommends to Capital Advisors Vehicles, or buys or sells for Capital Advisors Vehicles’ accounts, securities in which we or a related person has a material financial interest;
- invests in the same securities that we or a related person recommends to Capital Advisors Vehicles;
- recommends securities to Capital Advisors Vehicles, or buys or sells securities for Capital Advisors Vehicle accounts, at or about the same time that we or a related person buys or sells the same securities for our own (or the related person’s own) account; and
- encounters related conflicts of interest.



## ***Conflicts of Interest***

As discussed further below, we and our related entities engage in a broad range of activities, including pursuing investments for the Funds, other investment funds and other accounts, and providing investment advisory and other related services to these funds, other accounts and their portfolio companies.

We have a number of related investment advisers that focus primarily on different investment strategies (collectively, the “Related Advisers”), although such investment strategies overlap with ours from time to time. We refer to the funds and accounts managed by the Related Advisers as the “Related Funds.”

In the ordinary course of conducting its activities, the interests of a Capital Advisors Vehicle will from time to time conflict with our interests and those of

- other Capital Advisors Vehicles;
- Related Funds;
- Related Advisers; and
- the affiliates of the foregoing.

We describe below certain of these conflicts of interest, as well as how we seek to address them.

### **Resolution of Conflicts**

When conflicts arise between a Capital Advisors Vehicle and another Capital Advisors Vehicle or a Related Fund, we will seek to resolve the conflict or represent the interests of such Capital Advisors Vehicle, respectively, and the applicable Related Adviser will represent the interests of the Related Fund. In addressing conflicts, we and the other Related Adviser, as applicable, will consider various factors, including the interests of such Capital Advisors Vehicle, the other Capital Advisors Vehicle and the Related Fund, as applicable, in the context of both the immediate issue at hand and the longer term course of dealing among such Capital Advisors Vehicle and the Related Fund. In the case of all conflicts involving a Capital Advisors Vehicle, our determination as to which factors are relevant, and the attempted resolution of such conflicts, will be made in our sole discretion.

The following may help mitigate potential or actual conflicts of interest:

- a Capital Advisors Vehicle will not make any investment unless we and the Capital Advisors Vehicle’s general partner believe that such investment is an appropriate investment considered from the viewpoint of such Capital Advisors Vehicle;
- many important conflicts of interest may be resolved pursuant to set procedures, restrictions or other provisions contained in the relevant Governing Documents for the Capital Advisors Vehicles;

- with respect to the Funds, the advisory committee for a Fund, whose members are not affiliated with the general partner of the Fund, generally play an important role in resolving conflicts of interest by, for example, overseeing certain activities that could give rise to conflicts of interest or approving or consenting to decisions that involve certain conflicts of interest referred to it by the Fund's general partner in accordance with the relevant Governing Documents;
- when we deem it appropriate in our sole discretion, unaffiliated third-party service providers will be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price. In addition, the willingness of a third-party investor to make an investment on the same or similar terms as a Capital Advisors Vehicle may demonstrate the fairness of the transaction to such Capital Advisors Vehicle;
- prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund; and
- in certain circumstances, we erect temporary or permanent information barriers to restrict the transfer of non-public information between business units.

#### Potential Conflicts of Interest

The material conflicts of interest that a Capital Advisors Vehicle encounters include those discussed below and elsewhere in this brochure. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences. Identifying potential conflicts of interest is complex and fact-intensive, and it is not possible to foresee every conflict of interest that may arise during a Capital Advisors Vehicle's life. In particular, we may in the future identify additional conflicts of interest that currently are not apparent to us or the broader alternative investment industry, as well as conflicts of interest that arise or increase in materiality as we develop new investment platforms or business lines and otherwise adapt to dynamic markets and an evolving regulatory environment. To the extent we identify conflicts of interest in the future, we may, but assume no obligation to, disclose these conflicts and their implications to investors in Capital Advisors Vehicles through a variety of channels, including in subsequent brochures or in other written or oral communications to the advisory committee or investors more generally.

#### *Principal Transactions*

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. The Advisers Act generally requires that, when an investment adviser or its affiliate proposes to purchase a security from, or sell a security to, an advisory client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent.

In connection with our management of the Capital Advisors Vehicles, we and/or the Capital Advisors Vehicles may, in certain limited circumstances, engage in principal transactions, as described below.

Also, from time to time, our affiliates or those of the Related Advisers, who control, are controlled by or are under common control with us, the Related Advisers and/or our respective affiliates, may provide seed capital to a new Fund. In doing so, we, the Related Advisers and/or our respective affiliates may purchase securities that are later transferred into the Fund in exchange for a percentage ownership in such Fund. We review such transactions with outside counsel in an effort to ensure that we comply with the requirements of Section 206(3) of the Advisers Act in respect of principal transactions.

We have established certain policies and procedures reasonably designed to comply with the requirements of the Advisers Act as they relate to principal transactions, including that the requisite disclosures be made to the applicable Capital Advisors Vehicle regarding any proposed principal transactions, if required by the Advisers Act or applicable law, and the Capital Advisors Vehicle's prior consent to the transaction be received. In addition, the Governing Documents relating to the Capital Advisors Vehicles typically contain additional restrictions on our ability or that of the Capital Advisors Vehicles to engage in principal transactions and disclosures regarding principal transactions that are likely to arise in the operations of Capital Advisors Vehicles.

#### *Participation of TPG BD and TSSP BD in Capital Advisors Vehicle Transactions*

As noted above under “*Item 10—Other Financial Industry Activities and Affiliations*,” we have affiliates, TPG BD and TSSP BD, which

- place securities and instruments issued by
  - certain private investment funds that we and our related entities manage individually or through our principals; and
  - other entities not related to us or our related entities; and
- participate in the syndication of opportunities to co-invest in portfolio companies alongside certain Capital Advisors Vehicles and third parties;

TPG BD also

- participates in underwriting syndicates and/or selling groups with respect to securities and instruments issued by portfolio companies of a Capital Advisors Vehicle (whether in primary or secondary offerings);
- acts as arranger (or in a similar capacity) with respect to loans or lines of credit to Capital Advisors Vehicles, portfolio companies of Capital Advisors Vehicles and third-party borrowers (or in respect of similar debt instruments);

- in some cases, will act as a broker in transactions on behalf of Capital Advisors Vehicles; and
- provides advisory services to portfolio companies of Capital Advisors Vehicles.

TPG BD may act as the sole, lead or managing financial institution in these transactions when consistent with its authorization as a registered broker-dealer.

In connection with its involvement in the public or private placement of securities or instruments issued by portfolio companies of Capital Advisors Vehicles, TPG BD may directly or as part of an underwriting syndicate purchase from such portfolio companies the securities or instruments issued.

The relationships we have with TPG BD and TSSP BD give rise to conflicts of interest between us and Capital Advisors Vehicles that have an interest in any portfolio companies or investment vehicles with respect to which TPG BD or TSSP BD may provide services. In general, we have an incentive to exercise our control or influence over a portfolio company's management team so that it retains or otherwise transacts with TPG BD instead of other unaffiliated broker-dealers or service providers or counterparties. We could also have an incentive to structure certain transactions, including co-investment opportunities, so that they require the use of a broker-dealer. When involved in a particular transaction, TPG BD (and any syndicate of which it is a part) has an incentive to seek higher fees from the Capital Advisors Vehicle and/or relevant portfolio company. In addition, TPG BD could influence the placement of portfolio company securities so that investors that are strategically important to TPG receive an allocation ahead of others.

TPG BD and TSSP BD from time to time may act as placement agents in respect of investment funds that are sponsored and managed by third-party investment managers, including funds that may compete with Capital Advisors Vehicles. In providing such services to, or with respect to, a competitor fund or company, TPG BD and TSSP BD will not take into consideration the interests of the relevant portfolio companies or Capital Advisors Vehicles.

We generally will evaluate any such transactions on a case-by-case basis to address any such conflicts. Transactions involving a Capital Advisors Vehicle and TPG BD or TSSP BD are also reviewed with regard to the appropriateness of the transaction and any fiduciary obligations. In addition, we review such transactions with outside counsel in an effort to ensure compliance with the requirements of Section 206(3) of the Advisers Act, in respect of principal transactions between any Capital Advisors Vehicle and us and our affiliates (including TPG BD and TSSP BD).

For a description of the fees, commissions and other compensation TPG BD, TSSP BD and other affiliates receive in respect of the activities described above, please see Item 5 above.

### *Third-Party Placement Agents*

We from time to time enter into arrangements with third parties to raise capital for a Capital Advisors Vehicle. Such placement agents typically receive a flat fee or in some cases a percentage of the investments they bring to the respective Fund. We generally bear such fees

instead of the Capital Advisors Vehicle. Basing the placement agent's compensation on an investor's decision to invest creates a conflict of interest by incentivizing the placement agent to attract investors to a Fund when it may not be in the investors' best interests to subscribe.

### *Allocation of Investment Opportunities*

We engage in a broad range of investment and advisory activities for our own account and for the accounts of investment funds. In connection with these activities, investment opportunities will arise that fall within the investment objectives or strategies of two or more Capital Advisors Vehicles or Related Funds. We therefore expect to encounter situations in which we must determine how to allocate investment opportunities among various Capital Advisors Vehicles and other persons, which typically include the following:

- the Funds and Related Funds;
- any parallel investment entities formed to invest side-by-side with one or more Funds (either in all transactions entered into by such Funds or in a limited subset of such investments);
- any Co-Investment Vehicles formed to invest side-by-side with one or more Funds in particular transactions entered into by such Funds or for the purpose of pursuing a specific investment strategy. The investors in such Co-Investment Vehicles typically include individuals and entities that are also investors in one or more Funds (which we refer to collectively as "Capital Advisors Investors") and/or individuals and entities that are not investors in any Funds;
- Capital Advisors Investors and/or third parties that wish to make direct investments side-by-side with one or more Capital Advisors Vehicles in particular transactions; and
- Capital Advisors Investors and/or third parties acting as "co-sponsors" with us with respect to a particular transaction.

In addition, we expect to establish or sponsor in the future additional investment funds, separate accounts or other investment vehicles with investment objectives or strategies substantially similar to, or different from, those of the current Capital Advisors Vehicles, including additional hedge funds, collateralized loan obligation issuers, infrastructure funds, emerging market funds and other regional or sector-focused vehicles.

The Capital Advisors Vehicles and Related Funds are generally subject to contractual investment allocation requirements, such as "duty to offer" provisions or clauses stipulating a specified allocation for certain types of investments. We refer to these requirements, which are typically set forth in the Governing Documents of the Capital Advisors Vehicles and Related Funds, as the "Investment Allocation Requirements."

When making allocation decisions, we are guided by our contractual obligations to the Capital Advisors Vehicles and Related Funds, as well as our allocation procedures and principles. For each allocation decision, we first apply the relevant Investment Allocation Requirements. Historically, applying the Investment Allocation Requirements has tended to result in the

identification of a single Capital Advisors Vehicle or Related Fund to pursue an investment opportunity. That is, we often conclude that an investment opportunity falls within the “duty to offer” of a single Capital Advisors Vehicle or Related Fund and not any other Capital Advisors Vehicle or Related Fund, based on it being suitable for, and satisfying the other “duty to offer” criteria of, that Capital Advisors Vehicle alone.

However, in some circumstances the Investment Allocation Requirements will not be determinative. In these cases, we generally allocate the investment opportunity in accordance with our allocation principles. These principles reflect considerations that we determine in good faith to be fair and reasonable, such as

- the investment focuses and objectives of the relevant Capital Advisors Vehicle or Related Fund;
- the professionals who sourced the investment opportunity;
- the TPG professionals who are expected to oversee and monitor the investment;
- the expected amount of capital required to make the investment as well as the relevant Capital Advisors Vehicle’s or Related Fund’s current and projected capacity for investing (including for any potential follow-on investments);
- the relevant Capital Advisors Vehicle’s or Related Fund’s targeted rate of return and investment holding period;
- the stage of development of the prospective portfolio company;
- the existing portfolio of investments of the relevant Capital Advisors Vehicle or Related Fund;
- the investment opportunity’s risk profile;
- the expected life cycle of the relevant Capital Advisors Vehicle or Related Fund;
- any investment targets or restrictions (*e.g.*, industry, size, etc.) for the relevant Capital Advisors Vehicle or Related Fund;
- the ability of the relevant Capital Advisors Vehicle or Related Fund to accommodate structural, timing and other aspects of the investment process; and
- legal, tax, contractual, regulatory or other considerations that we deem relevant.

TPG has established an Allocation Committee to apply the above principles and make allocation decisions in situations where the investment interests of multiple Capital Advisors Vehicles or Related Funds overlap. The composition of the Allocation Committee includes senior TPG professionals representing major investment platforms and TPG as a whole.

The relevance of each allocation principle will vary from investment opportunity to investment opportunity, with no single factor consistently outweighing the others. While we seek to apply a generally consistent framework and approach, the facts and circumstances of each allocation decision remain determinative.

The application of our allocation principles is a fact-intensive exercise. While we base our allocation decisions on the information available to us at the time, this information may prove, in retrospect, to be incomplete or otherwise flawed. Furthermore, the weight we ascribe to certain considerations will evolve over time in response to, among other things, changes in market conditions, the competition we face for investments and the mix of opportunities available to the Capital Advisors Vehicles.

In making an allocation decision, additional conflicts of interest will arise. Specifically, because the Capital Advisors Vehicles and Related Funds have different fee, expense and compensation structures, we have an incentive to allocate an investment opportunity to the Capital Advisors Vehicle or Related Fund that would generate a higher fee or more carried interest or other compensation. In addition, our professionals will generally participate indirectly in investments made by Capital Advisors Vehicles in which they invest (see “*Conflicts Arising from Interests of Our Professionals in the Capital Advisors Vehicles and Related Funds*”). We do not explicitly take such considerations into account in making allocation decisions and expect that our procedures and principles will help mitigate the risk that these incentives implicitly influence our allocation decisions.

An allocation decision may result in a single Capital Advisors Vehicle or Related Fund being allocated an entire investment opportunity, or in multiple Capital Advisors Vehicles and/or Related Funds sharing an investment opportunity on a basis approved by the Allocation Committee. If we decide to allocate all or any portion of an investment opportunity to, for example, a Related Fund instead of a Capital Advisors Vehicle, the amount available to the Capital Advisors Vehicle for investment will be correspondingly reduced. In certain cases, a Capital Advisors Vehicle may decline to pursue an investment opportunity if it determines its allocation is too small to be appropriate for it.

Even when we determine that all or part of an investment opportunity should be allocated to a particular Capital Advisors Vehicle or Related Fund, the Governing Documents of certain Capital Advisors Vehicles allow us, in our complete discretion and notwithstanding our other allocation principles, to offer to other Capital Advisors Vehicles, Related Funds or co-investors a certain amount of the portion of such opportunity allocated to such Capital Advisors Vehicle. This right is separate from and in addition to our ability to allocate co-investment from “overage” after the Capital Advisors Vehicle receives its appropriate allocation. We typically are able to exercise this right in a variety of ways, including on a deal-by-deal or more systematic basis. If we elect to exercise this right with respect to any investment opportunity, we could be awarding the other Capital Advisors Vehicles or Related Funds (and their respective investors) or co-investors greater exposure to the investment than they would otherwise receive. Such Capital Advisors Vehicles, Related Funds or co-investments may generate more fees, carried interest or other compensation than we would have received from the Capital Advisors Vehicle to which the investment opportunity should be allocated.

We may not determine final allocations among Capital Advisors Vehicles and/or Related Funds until after certain expenses or other amounts have already become due and payable. In these circumstances, a Capital Advisors Vehicle may initially bear the full amount of an upfront payment or expense, even if another Capital Advisors Vehicle or Related Fund ultimately participates in the investment. In such a circumstance, the other Capital Advisor Vehicle or Related Fund would reimburse the Capital Advisors Vehicle for its proportionate share of such payment or expense when we determine the final allocation of the investment opportunity among the Capital Advisors Vehicle and the other Capital Advisor Vehicle or Related Fund. While highly unlikely, it is possible that the other Capital Advisors Vehicle or Related Fund could default on its obligation to reimburse the Capital Advisors Vehicle.

#### *Allocation of Co-Investment Opportunities*

From time to time, we have the option to offer one or more Capital Advisors Investors, Co-Investment Vehicles, investors in Related Funds or third parties the opportunity to invest alongside a Fund, or “co-invest,” in an investment a Fund is making. This situation generally arises when the amount of equity capital necessary to complete a transaction exceeds the amount we determine is appropriate for the Fund, after taking into account additional capital to be contributed by other Funds and any

- co-underwriters;
- co-sponsors (including other third-party managed pooled investment vehicles in which we or Capital Advisors Personnel may hold an interest);
- Senior Advisors (and the investments on which they advise); and
- other parties or consultants that assisted in sourcing or completing the transaction or provide other strategic value.

Depending on a Fund’s Governing Documents, we sometimes also have the option to systematically offer co-investment opportunities, including to our employees, other affiliated personnel or others (allowing, for instance, the investor to co-invest in an aggregate fixed dollar amount over the life of the Fund or in each Fund investment of a certain size or that has certain other characteristics). The exercise of these co-investment rights will limit the size of investment opportunities available to the Fund and the amount of co-investment opportunities available to other potential co-investors. We will offer co-investments pursuant to the procedures included in such Funds’ Governing Documents and as described in the following paragraphs.

Subject to any restrictions contained in the Governing Documents of the relevant Capital Advisors Vehicle or any side-letter or other terms negotiated with respect to such Capital Advisors Vehicle, in general we have complete discretion to determine to whom we will offer and award co-investment opportunities. In particular,

- we intend to give co-investment opportunities to
  - Capital Advisors Investors;



- Senior Advisors (and the investments on which they advise);
  - Capital Advisors Personnel;
  - Co-Investment Vehicles;
  - investors in Related Funds;
  - consultants;
  - advisors;
  - strategic partners; or
  - other third parties;
- we are under no obligation to offer to Capital Advisors Investors any co-investment opportunities;
  - we can offer co-investment opportunities selectively to some Capital Advisors Investors and not offer them to all Capital Advisors Investors;
  - allocations of co-investment opportunities between Capital Advisors Investors generally will not correspond to their pro rata interests in the relevant Capital Advisors Vehicle;
  - we may agree to offer certain Capital Advisors Investors preferential access to co-investment opportunities on a systematic basis (for example, by granting a Capital Advisor Investor either the right to co-invest in each investment that meets specific criteria or a certain amount of co-investment opportunities over the life of the Capital Advisors Vehicle), including in connection with broader strategic relationships or other arrangements where investors agree to invest in a Capital Advisors Vehicle or Related Fund; and
  - non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require us to notify the recipients of such acknowledgements if there is a co-investment opportunity.

While the criteria we use in making discretionary co-investment decisions vary from opportunity to opportunity, the most important factors are:

- certainty of funding—that is, whether the potential co-investor has the financial resources to provide the requisite capital in a timely fashion;
- certainty of execution—that is, the sophistication and experience of the potential co-investor and its ability to promptly respond to and complete a co-investment opportunity;
- any contractual obligations to provide co-investment opportunities;

- the size of the potential co-investor's commitment to Capital Advisors Vehicles and/or Related Funds and the anticipated importance of the potential co-investor to future TPG fundraising campaigns;
- the ability of the potential co-investor to make a meaningful contribution to the transaction, such as in sourcing or completing the transaction or providing operational skills or insight; and
- the overall strategic benefit to the transaction, the Capital Advisors Vehicle or TPG of offering a co-investment opportunity to the potential co-investor.

Other criteria that will from time to time be relevant include:

- the expertise of the potential co-investor with respect to the geographic location or business activities or industry of the prospective target company;
- the investment objectives and existing portfolio of the potential co-investor;
- the tax, legal or regulatory constraints to which the proposed investment is expected to give rise;
- the reporting, public relations, competitive, confidentiality or other issues that may also arise as a result of the co-investment; and
- any other facts or circumstances that we deem appropriate or relevant.

We expect that these factors will lead us to favor some Capital Advisors Investors and other potential co-investors over others with respect to the frequency with which we offer them co-investment opportunities. We also expect to allocate certain co-investors a greater proportion of an investment opportunity than others as a result of these factors.

Our exercise of discretion in allocating investment opportunities among potential co-investors and in the manner discussed above may not, and often will not, result in proportional allocations among such co-investors, and such allocations will likely be more or less advantageous to some relative to others. In addition, co-investments will not necessarily be made on the same terms as a Fund's investment. For example, co-investors generally pay no advisory fees or carried interest in connection with the co-investment, or pay them at a lower rate than the investors in the Fund or Funds with which they are co-investing. Co-investors also may either purchase their interests in a portfolio company at the same time as the Capital Advisors Vehicles or purchase their interests from the applicable Capital Advisors Vehicles after such Capital Advisors Vehicles have consummated the full investment in the portfolio company (also known as a post-closing sell down or transfer). Moreover, Capital Advisors Investors and other third parties approached as potential co-investors generally do not bear any transaction costs of investments that are not consummated and are not subject generally to the same risks to which a Fund is throughout the investment process. When co-investors purchase their interest from the Capital Advisors Vehicle after the Capital Advisors Vehicle has consummated the investment, the price paid by co-investors is typically determined by the Capital Advisors Vehicle's general partner in

its sole discretion. The price may not reflect the full cost incurred by the Capital Advisors Vehicle in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the investment (if applicable) or the risk borne by the Capital Advisors Vehicle in connection with purchasing and warehousing the investment.

In the event that we determine to offer an investment opportunity to co-investors, there can be no assurance that we 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 a Fund or that expenses incurred by a Fund with respect to the syndication of the co-investment will not be substantial. In the event that we are not successful in finding co-investors for a particular opportunity, a Fund will consequently have greater exposure to the related investment opportunity than was intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic or business conditions. Moreover, an investment by a Fund that is not syndicated to co-investors as anticipated could significantly reduce the Fund's overall investment returns.

#### *Allocation of Fees and Expenses for Broken Deals*

We employ the same procedures and principles as described above under “*Allocation of Investment Opportunities*” when allocating fees and expenses incurred in connection with “broken deals,” or potential investments that we actively consider but do not consummate. That is, we generally make fee and expense allocation decisions while a transaction is pending based on our best judgment of the Capital Advisors Vehicle or Vehicles and/or Related Fund or Funds to which we will ultimately allocate the transaction. This judgment is necessarily subjective, especially when a transaction is terminated at a particularly early stage. When we abandon an opportunity, absent a factual development to the contrary, we will allocate the fees and expenses for such transaction to such Fund or Funds and/or Related Fund or Funds. The allocations of fees and expenses among Funds may not be proportional. For example, to the extent one or more Related Funds were involved in a broken deal with one or more Capital Advisors Vehicles, the fact that the Related Funds at times have different expense reimbursement terms, including with respect to advisory fee and similar offsets, could result in the Capital Advisors Vehicles bearing different levels of expenses with respect to the same investment. As discussed above in Item 5, in certain instances we will evaluate investment opportunities that, if consummated, we would likely offer in part to prospective co-investors. If such a potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment and co-investment (including reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) will typically be borne entirely by the Capital Advisors Vehicle (and any Related Funds that would have participated in such investment), rather than by any prospective co-investors.

The financial position of the relevant Capital Advisors Vehicle and/or Related Fund may give us an incentive to allocate such fees and expenses to one such Capital Advisors Vehicle or Related Fund and not another. For example, it would be advantageous to allocate broken deal fees and expenses to a Capital Advisors Vehicle and/or Related Fund that is not expected to pay carried interest to its general partner, as the fees and expenses would not affect the amount of carried

interest paid—it would be zero in any case. Conversely, it typically would be disadvantageous as an economic matter to allocate broken deal fees and expenses to a Capital Advisors Vehicle and/or Related Fund that is paying carried interest, as doing so would delay and reduce the amount of carried interest paid to the relevant general partner. As with our other allocation decisions, our allocation procedures and principles are designed to help mitigate the risk that financial incentives implicitly influence the allocation of broken deal fees and expenses.

#### *Allocation of Other Fees and Expenses*

From time to time, we determine whether to allocate certain other fees and expenses among Capital Advisors Vehicles, Related Funds and TPG. In exercising our discretion to allocate such fees and expenses, we face a variety of potential conflicts of interest. We will generally allocate fees and expenses to be split between us and the Capital Advisors Vehicles and/or portfolio companies (including fees and expenses incurred in the offering of the Capital Advisors Vehicle, management of the Capital Advisors Vehicle, and investment opportunities), in each case in accordance with the Capital Advisors Vehicle's Governing Documents. To the extent not addressed in the Governing Documents, we generally will allocate such fees and expenses in our sole discretion, in each case in good faith using our best judgment. Because certain expenses are paid for by a Capital Advisors Vehicle and/or its portfolio companies or, if incurred by us, are reimbursed by a Capital Advisors Vehicle and/or its portfolio companies, we will not necessarily seek out the lowest cost options when incurring (or causing a Capital Advisors Vehicle or its portfolio companies to incur) such expenses.

A Capital Advisors Vehicle may sell down an interest in its portfolio companies to co-investors. Subject to the applicable Governing Documents, we may charge (or may decide not to charge) a co-investor (such as a Capital Advisors Investor or Third Party) interest costs for the time period between the closing of the applicable Capital Advisors Vehicle's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

Please see “Resolution of Conflicts” above for a description of the means by which we and our related persons may seek to alleviate conflicts of interest among the Capital Advisors Vehicles or other accounts or persons.

#### *Allocation of Secondary Transfer Opportunities*

To the extent we have discretion over a secondary transfer of interests in a Capital Advisors Vehicle pursuant to such Capital Advisors Vehicle's Governing Documents, or if we are asked to identify Capital Advisors Investors or third parties that could potentially acquire an interest being transferred, we will consider the factors listed above under “Allocation of Co-Investment Opportunities” in exercising such discretion or making such identification.

### *Conflicts Related to Transactions with Other Capital Advisors Vehicles or Related Funds*

In certain rare instances, we may cause a Capital Advisors Vehicle to purchase investments from another Capital Advisors Vehicle or a Related Fund, or we may cause a Capital Advisors Vehicle to sell investments to another Capital Advisors Vehicle or a Related Fund. In connection with such transactions, we, the Related Advisers and/or our professionals may

- have significant investments or intentions to invest in the Capital Advisors Vehicle or a Related Fund that is selling and/or purchasing such an investment; or
- otherwise have a direct or indirect interest in the investment (such as through certain other participations in the underlying investment).

We and the Related Advisers may receive management or other fees in connection with our management of the relevant Capital Advisors Vehicles and/or Related Funds involved in such a transaction or in connection with the transaction itself, and may also be entitled to share in the investment profits of the relevant Capital Advisors Vehicles and/or Related Funds. We, the Related Advisers and our professionals would be presented with certain conflicts of interest in effecting these transactions. To address these conflicts of interest, we will seek to cause a Capital Advisors Vehicle to engage in such transactions only if we determine that the terms and conditions of such transaction are substantially as advantageous to such Capital Advisors Vehicle as the terms it would obtain in a comparable arm's-length transaction with a third party. For additional information regarding transactions between Capital Advisors Vehicles, including a discussion of related conflicts of interest, please see Item 12, under “*Cross Transactions*.”

### *Conflicts Related to Investing Alongside Other Capital Advisors Vehicles or Related Funds*

From time to time, a Capital Advisors Vehicle and one or more other Capital Advisors Vehicles or Related Funds make investments in the same company. While typically Capital Advisors Vehicles and/or Related Funds would make and exit any such investment on the same general terms, differences between such Capital Advisors Vehicle(s) and/or Related Fund(s), including their respective terms, investment periods, structures and investment strategies, could result in the relevant Capital Advisors Vehicle(s) and/or Related Fund(s) making or exiting its investment at different times, at different effective prices, in different amounts or with differing costs or terms. For example, a Related Fund may invest in the publicly traded securities of a Capital Advisors Vehicle portfolio company, including by purchasing these securities in an initial public offering, in a secondary offering by the Capital Advisors Vehicle or in the open market. The Related Fund's view of the investment and its interests may diverge from those of the Capital Advisors Vehicle. This could cause the Related Fund to dispose of, increase its exposure to or continue to hold the investment at a time when the Capital Advisors Vehicle has taken a different approach. As a result, the actions of the Related Fund could affect the value of the Capital Advisors Vehicle's investment. For example, a sale by the Related Fund of its investment could put downward pressure on the value of the Capital Advisors Vehicle's interest, which the Capital Advisors Vehicle has opted to hold longer term. The Related Fund is under no obligation to act in a way that furthers or protects the interests of the Capital Advisors Vehicle. The Related Fund could earn a return on its investment that exceeds the Capital Advisors Vehicle's return.

A Capital Advisors Vehicle will from time to time invest in opportunities that other Capital Advisors Vehicles or Related Funds have declined, and likewise, a Capital Advisors Vehicle will from time to time decline to invest in opportunities in which other Capital Advisors Vehicle or Related Funds have invested.

Our employees and related persons and those of the other Related Advisers have made, and expect in the future to make, capital investments in or alongside certain Capital Advisors Vehicles or Related Funds, or in prospective portfolio companies directly or indirectly, and therefore have additional conflicting interests in connection with these investments.

#### *Conflicts Related to Investing in Different Levels of the Capital Structure*

The Capital Advisors Vehicles and Related Funds invest in a broad range of asset classes throughout the corporate capital structure, including loans and debt securities, preferred equity securities and common equity securities. Accordingly, it is possible that a Capital Advisors Vehicle will hold an interest in one part of a company's capital structure while another Capital Advisors Vehicle or Related Fund holds an interest in another. Decisions taken by the other Capital Advisors Vehicle or Related Fund in these circumstances to further its interests may be adverse to the interests of the Capital Advisors Vehicle.

For example, a Capital Advisors Vehicle could acquire a significant equity stake in a company whose debt securities are already held by a Related Fund. As a creditor of the company, the Related Fund could take actions, consistent with its obligations to maximize the return to its investors, that would be adverse to the interests of the Capital Advisors Vehicle as a holder of more junior securities. The Related Fund, for instance, could cause the acceleration of the portfolio company's debt or exercise other rights it has that could precipitate a sharp decline in the value of the equity held by the Capital Advisors Vehicle. The Related Fund would be under no obligation to take any action or refrain from taking any action to prevent or mitigate any losses by the Capital Advisors Vehicle.

Conflicts may arise in determining the terms of investments, especially when we and/or other Related Advisers control the structure of a transaction and its capitalization. For example, if a Related Fund is investing in debt securities, it would have an interest in structuring debt securities that have financial terms (such as interest rates, repayment terms, seniority, covenants and events of default) that are more restrictive than a Capital Advisors Vehicle, as an equity owner, would desire. In addition, a Related Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which Capital Advisors Vehicles have invested or will invest. Recapitalization transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Investments by more than one of our clients in a portfolio company also raise the risk of using assets of one of our clients to support positions taken by other clients of ours. While expected to be very infrequent, similar conflicts could arise to the extent that TPG BD holds securities of a portfolio company.

### *Conflicts Related to Other Investments by Capital Advisors Vehicles and Related Funds*

A Capital Advisors Vehicle or a Related Fund occasionally invests in a competitor or customer of or service provider or supplier to a portfolio company of another Capital Advisors Vehicle. In addition, Capital Advisors Personnel may serve as directors, or otherwise be associated with, companies that are competitors of portfolio companies of certain Capital Advisors Vehicles. These circumstances would give rise to a variety of conflicts of interest. For example, a Related Fund or its portfolio company may take actions for commercial reasons that have adverse consequences for the Capital Advisors Vehicle or its portfolio company, such as seeking to increase its market share at the Capital Advisors Vehicle portfolio company's expense (as a competitor), withdrawing business from the Capital Advisors Vehicle portfolio company in favor of a competitor that offers the same product or service at a more competitive price (as a customer), increasing prices in lock-step with other enterprises in the industry (as a supplier) or commencing litigation against the Capital Advisors Vehicle portfolio company (in any capacity). Another Capital Advisors Vehicle or a Related Fund may also obtain information while dealing with its portfolio companies that it is prohibited from acting on or disclosing to another Capital Advisors Vehicle or its portfolio company as a result of confidentiality requirements or applicable law, even though such action or disclosure would be in the latter's interests. In addition, to the extent not restricted by confidentiality requirements, we generally will apply the experience obtained by managing the Capital Advisors Vehicles to benefit Related Funds. Related Advisers are under no obligation to take into account the other Capital Advisors Vehicles' interests in advising their portfolio companies.

### *Conflicts Arising from Other Investment Activities of the Capital Advisors Vehicles and Related Funds – Possession of Material Non-Public Information*

The Capital Advisors Vehicles and Related Funds regularly obtain non-public information regarding various target companies and other investment opportunities. Since TPG does not currently maintain permanent information barriers among most of its businesses, we generally impute non-public information received by one investment team to all other investment professionals, including all of the personnel who make Capital Advisors Vehicle investments. In the absence of an information barrier, if a Capital Advisors Vehicle or Related Fund receives non-public information with respect to a company, other Capital Advisors Vehicles would face, as a result of securities law prohibitions on trading on the basis of material non-public information, certain restrictions on their ability to pursue a transaction with that company or dispose of an investment. Moreover, the confidentiality agreements the Capital Advisors Vehicles and Related Funds enter into often include provisions, such as "standstills," that would prevent the Capital Advisors Vehicles from acquiring or disposing of certain investments, potentially for extended periods.

In addition, certain Related Funds regularly trade securities and debt instruments in the secondary market. In the absence of information barriers, a Capital Advisors Vehicle's receipt of non-public information on a particular company would, as a result of securities laws or applicable industry conventions (such as with respect to secondary loan trading), generally restrict the trading activities of these Related Funds with respect to that company. Moreover, the operation of certain Governing Document provisions could impair a Related Fund's ability to trade the securities or debt instruments of a company if a Capital Advisors Vehicle invests in that

company. In certain circumstances, a Capital Advisors Vehicle may have an incentive to avoid taking certain actions that would impede the operation of another Capital Advisors Vehicle or Related Fund. For example, a Capital Advisors Vehicle may decline to receive non-public information on a company or otherwise pursue an investment opportunity if doing so would prevent Related Funds from trading securities or debt instruments currently in their portfolio or of interest to them.

In limited circumstances, we erect temporary information barriers to restrict the transfer of non-public information with respect to certain companies between Related Funds and Capital Advisors Vehicles to avoid the restrictions described in the preceding paragraphs with respect to such companies. In such instances, however, a Capital Advisors Vehicle's ability to benefit from our expertise outside any such barrier will be limited. In addition, in the event that a temporary information barrier designed to protect a Capital Advisor Vehicle is breached, even if inadvertently, the Capital Advisors Vehicle will likely face the same restrictions on its investment activities as it would have faced had the temporary information barrier not been established in the first place.

*Conflicts Arising from Other Investment Activities of the Capital Advisors Vehicles and Related Funds – Walled-Off Businesses*

While TPG generally allows for information to flow freely among its investment platforms, TPG has placed certain discrete businesses behind information barriers and hired separate teams to manage them. Given that we have “walled off” these businesses from TPG's private equity business, they will generally not have access to information about the Capital Advisors Vehicles and their investments and will have different day-to-day management from the Capital Advisors Vehicles. Accordingly, these “walled-off” businesses may not be subject to certain restrictions otherwise applicable to affiliates under certain Capital Advisors Vehicles' Governing Documents.

*Conflicts Arising from Other Investment Activities of the Capital Advisors Vehicles and Related Funds – Certain Bankruptcy Implications*

Capital Advisors Vehicles and/or the Related Funds will in many cases own a significant or controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by them, any relevant contractual arrangements between such portfolio company and the participating Funds and other relevant factual circumstances, could result in an extension to one year of the ninety-day bankruptcy preference period with respect to payments made to a Capital Advisors Vehicle and/or subordination of its claims to other creditors and/or recharacterization of debt claims into equity claims. In addition, due to equity ownership, representation on the boards of directors and/or contractual rights, as applicable, the Capital Advisors Vehicles and the Related Funds will typically be deemed to control, participate in the management of or influence the conduct of portfolio companies. The effect of these relationships will vary from jurisdiction to jurisdiction. These factors could expose the assets of a Capital Advisors Vehicle to claims by a portfolio company, its security holders, its creditors or governmental agencies.



If a Capital Advisors Vehicle purchases in the secondary market at a discount debt securities of a company in which a Capital Advisors Vehicle has, for example, a substantial equity interest, (i) a court might require a Capital Advisors Vehicle to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (ii) a Capital Advisors Vehicle might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

We may serve on committees in proceedings under Chapter 11 of the U.S. Bankruptcy Code or prior to such filings, and this involvement, for which we may be compensated, may limit or preclude the flexibility that the Capital Advisors Vehicles would otherwise have to make investments.

### *Conflicts Relating to the Use of Leverage*

Certain Capital Advisors Vehicles utilize various forms of leverage in connection with their investments and operations. The use of borrowed funds creates the opportunity for greater total returns and allows us to better manage a Capital Advisors Vehicle's cash flows, but at the same time involves risks and potential conflicts of interest. Certain of the significant risks and conflicts are described below.

#### Fund-Level Borrowing

##### *Governing Document Parameters for Fund-Level Borrowing*

From time to time, Capital Advisors Vehicles, directly or indirectly, borrow funds or enter into other financing arrangements to

- pay expenses (including advisory fees),
- make or facilitate new or follow-on investments,
- make payments under guarantee, surety or hedging transactions,
- fund the payment of any withholding or other tax on behalf of or with respect to any investor,
- cover any shortfall in capital contributions resulting from default, excuse or exclusion, and
- make or facilitate timely distributions of proceeds from investments that have been subject to disposition.

We refer to these borrowings generally as “fund-level borrowing.” Governing Documents generally permit Capital Advisors Vehicles to borrow for these purposes subject to certain exceptions and restrictions. Typically, a Fund (or one or more Fund special purpose vehicles) enters into one or more credit facilities (commonly referred to as “subscription lines”) as credit parties. In the following discussion, we refer to these collectively as the “credit facility.” The

general partner of the Fund determines the credit facility's administrative agent, lenders and terms (and any amendment, extension, refinancing, replacement or termination of the credit facility) without seeking the consent of the Fund's investors or the advisory committee. Credit facilities typically allow revolving borrowings up to a specified principal amount that will be determined based in part on the Fund's capital commitments and the creditworthiness of each Fund investor. Lenders may provide a Fund varying levels of credit, or no credit at all, for different investors, but all Fund investors would generally still participate in the benefits and risks associated with a credit facility's use as described below. Amounts borrowed under the credit facility are generally secured by pledges of our right to call capital from, and the right of the Fund to receive amounts funded by, investors. The credit facility may also be secured by other collateral, including the Fund's investments, and any investor claim against the Fund would likely be subordinate to the Fund's obligations to the credit facility's creditors. While Funds tend to be the only Capital Advisors Vehicles to engage in fund-level borrowing, the following discussion assumes that Co-Investment Vehicles also borrow from time to time.

Utilizing borrowed funds in advance or in lieu of calling capital affords us flexibility to manage cash flows to and from a Capital Advisors Vehicle's investors and ease the investors' burden of responding to multiple capital calls. It also allows a Capital Advisors Vehicle to act more quickly on investment opportunities, since the period of time to draw capital under a credit facility is typically shorter than the period required for calling capital from investors. However, as discussed below, utilizing borrowed funds involves certain risks and conflicts of interest.

#### *Certain Risks and Costs of Fund-Level Borrowing*

Fund-level borrowing gives rise to certain risks and costs. For example, because amounts borrowed under a credit facility are typically secured by pledges of our right to call capital from a Capital Advisors Vehicle's investors and, in limited circumstances, may also be secured by other Capital Advisors Vehicle assets, a lender may foreclose on the pledged collateral, including the investors' capital commitments and, only if applicable, the Capital Advisors Vehicle's investments, if the Fund fails to repay the amounts borrowed under a credit facility or experiences another event of default. Moreover, any investor claim against the Capital Advisors Vehicle would likely be subordinate to the Capital Advisors Vehicle's obligations to the credit facility's creditors.

In addition, fund-level borrowing will result in incremental partnership expenses that will be borne by the Capital Advisors Vehicle's investors. As described above, these expenses include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of the credit facility, an upfront fee for establishing a credit facility and other one-time and recurring fees and/or expenses. Because the credit facility's interest rate is based in part on the creditworthiness of all the Capital Advisors Vehicle's underlying investors and the terms of the applicable Governing Documents, it may be higher than the interest rate a single investor could obtain individually. To the extent a particular investor's cost of capital is lower than the Capital Advisors Vehicle's cost of borrowing, fund-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the Fund's reported net returns, as described below.

A credit agreement may contain other terms that restrict the activities of the Capital Advisors Vehicle and the investors or impose additional obligations on them. For example, the credit

facilities may impose restrictions on the ability of the Capital Advisors Vehicle's general partner to consent to the transfer of an investor's interest in the Capital Advisors Vehicle. In addition, in order to secure the credit facility, we may request certain financial information and other documentation from investors to share with lenders. We often have significant discretion in negotiating the terms of any credit facility and may agree to terms that are not the most favorable to one or all investors.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a credit facility allows us to fund investments and pay Capital Advisors Vehicle expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under the credit facility could cause liquidity concerns for investors that would not arise had we called smaller amounts of capital incrementally over time as needed by the Capital Advisors Vehicle. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time. We may also utilize fund-level borrowing when we expect to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital at a portfolio company. If we are ultimately unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses in a declining market.

#### *Our Incentives to Engage in Fund-Level Borrowing*

We have incentives to engage in fund-level borrowing notwithstanding the expense and risks that accompany it. For example, we intend to present certain performance metrics, such as certain net IRRs and net M-o-Ms, in the Capital Advisors Vehicle's periodic reports and marketing materials for other Capital Advisors Vehicles and Related Funds. These performance metrics measure investors' actual cash outlays to, and returns from, the Capital Advisors Vehicle and thus depend on the amount and timing of investor capital contributions to the Capital Advisors Vehicle and Capital Advisors Vehicle distributions to investors. To the extent the Capital Advisors Vehicle uses borrowed funds in advance or in lieu of calling capital, investors make correspondingly later or smaller capital contributions. Also, borrowing to facilitate distributions of proceeds from an investment enables investors to receive distributions earlier. As a result, the use of borrowed funds generally results in the presentation of higher performance metrics than simply calling capital, even after accounting for the attendant interest expense.

Fund-level borrowing can also affect the return investors in a Capital Advisors Vehicle must receive before the Capital Advisors Vehicle's general partner accrues carried interest (the "preferred return"), as well as the carried interest the general partner receives, as preferred return and carried interest generally depend on the amount and timing of capital contributions and distributions of proceeds. In particular, the preferred return typically begins to accrue after capital contributions are due (regardless of when a Capital Advisors Vehicle borrows, makes the relevant investment or pays expenses) and ceases to accrue upon return of these capital contributions. Using borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. Since a Capital Advisors Vehicle generally does not pay preferred return on funds borrowed in advance or in lieu of calling capital, fund-

level borrowing will therefore reduce the amount of preferred return to which a Capital Advisors Vehicle's investors would otherwise be entitled had we called capital, and thus could allow the Capital Advisors Vehicle's general partner to receive carried interest sooner than it would without borrowing.

Similarly, certain Capital Advisors Vehicles' carried interest rate is based in part on a net IRR calculation. The net IRR of the Capital Advisors Vehicles for these purposes also depends on the timing of actual investor capital contributions and not of the Capital Advisors Vehicle's deployment of capital. As a result, if we borrow money in lieu of issuing capital calls, the applicable carried interest rate may be higher than it would be had we not used borrowings. We therefore have an incentive to cause the Capital Advisors Vehicle to borrow money for investments and expenses in larger amounts or over longer periods of time.

#### *Impact on Advisory Fee Calculation*

The advisory fee payable by investors in certain Capital Advisors Vehicles depends on the amount of the investors' "actively invested capital." An investor's "actively invested capital" generally includes amounts we borrow to fund all or part of an investment in lieu of calling capital. Therefore an investor would generally pay advisory fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above.

#### Other Forms of Financing

In addition to fund-level borrowing, we may utilize leverage at the level of a portfolio company or a special purpose vehicle formed to invest in or hold one or more portfolio companies. Borrowings by entities other than a Capital Advisors Vehicle that are generally not directly or fully recourse to a Capital Advisors Vehicle in the ordinary course will generally not constitute fund-level borrowing for the purpose of applying the Governing Documents' limitations on borrowings.

Capital Advisors Vehicles invest from time to time in portfolio companies whose capital structures have significant leverage. Although we seek to use leverage in a prudent manner, the leveraged capital structure of investments increases the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio companies or their industries. The incurrence of significant indebtedness could also subject portfolio companies to restrictive covenants, terms and conditions, the violation of which would be viewed by creditors as an event of default and which could require the prepayment of debt using excess cash flow. Any such restrictive covenants, terms and conditions could also limit such portfolio companies' ability to respond to changing industry conditions, make necessary capital expenditures, obtain additional financing, take advantage of growth opportunities or engage in strategic acquisitions.

A special purpose vehicle a Capital Advisors Vehicle forms to hold one or more investments may also engage in borrowing. For example, a special purpose vehicle could enter into a "margin loan" whereby it borrows money from a bank (distributing the proceeds to the Capital Advisors Vehicle for further distribution to investors) and pledges the shares of the underlying

portfolio company (or other asset) as collateral for the loan. Under these arrangements, the special purpose vehicle would typically be subject to a margin call if the value of the underlying assets decreases significantly. In order to meet the margin call, the special purpose vehicle would need additional assets to avoid foreclosure. Even if the margin loan is not recourse to the Capital Advisors Vehicle, we may have the Capital Advisors Vehicle contribute additional capital to the special purpose vehicle to avoid adverse consequences to the investment, including foreclosure on the collateral at a lower valuation.

A Capital Advisors Vehicle may enter into guarantees or other forms of surety with respect to the indebtedness of third parties, including portfolio companies. In these circumstances, the creditor typically would have recourse to the Capital Advisors Vehicle to satisfy the obligations of the third party. These arrangements pose many of the same risks and conflicts associated with fund-level borrowings. Although Governing Documents typically cap a Capital Advisors Vehicle's ability to enter into such guarantee or surety arrangements, the caps are generally incremental to the fund-level borrowing limits.

In addition, a Capital Advisors Vehicle may enter into contractual arrangements, including deferred purchase price payments, staged funding obligations, earn outs, milestone payments, equity commitment letters and other forms of credit support and other contractual undertakings such as indemnification obligations or so-called "bad-boy" guarantees, that obligate it to fund amounts to special purpose vehicles, portfolio companies or other third parties. Such arrangements may not constitute borrowings or guarantees under the applicable Governing Documents and may not be subject to the related caps, even though these arrangements pose many of the same risks and conflicts associated with the use of leverage that the caps intend to address.

### Cross-Default

Capital Advisors Vehicles and related vehicles, including parallel investment entities and lockstep vehicles, may engage in fund- or asset-level financing whereby (i) the Capital Advisors Vehicle and/or such vehicles are jointly responsible on a cross-collateralized basis for the repayment of the financing and/or (ii) the commitments of investors in the Capital Advisors Vehicle and/or such vehicles are pledged to secure the financing obtained for the benefit of the other such vehicles. When we call capital to satisfy the indebtedness, a Capital Advisors Vehicle investor may contribute in excess of its pro rata share of the indebtedness if other Capital Advisors Vehicle investors or the investors in the related vehicles fail to honor their commitments. While we intend for the Capital Advisors Vehicles, where appropriate, to enter into back-to-back agreements with related vehicles in respect of certain types of credit support, a Capital Advisors Vehicle would still be subject to the risk of default by such other vehicles.

Similarly, to the extent a Capital Advisors Vehicle invests in the same or related assets as another Capital Advisors Vehicle or Related Fund, we may structure the investment financing so that the Capital Advisors Vehicle is jointly and severally liable for the financing with the other Capital Advisors Vehicles or Related Funds. We expect this to arise, for example, if a Capital Advisors Vehicle and Related Fund were to invest in the same portfolio company and provide a joint and several guarantee for its indebtedness. Joint and several liability could result in the

Capital Advisors Vehicle repaying all, or more than its proportionate share, of the indebtedness, exacerbating some of the risks and conflicts described above.

In addition, a Capital Advisors Vehicle may utilize indebtedness to pay for deposits or other investment expenses and costs in advance of the final determination of the investment allocations among the Capital Advisors Vehicle and other Capital Advisors Vehicles and Related Funds. In such a circumstance, although the other Capital Advisors Vehicle and Related Funds would be expected to repay the Capital Advisors Vehicle for its portion of these amounts (including related interest expense) in the event it ultimately participates in the investment, the Capital Advisors Vehicle would be subject to risk of default by the other Capital Advisors Vehicles and Related Funds. Similarly, a Capital Advisors Vehicle may utilize indebtedness for purposes of warehousing co-investment opportunities. As described above under “*Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss — Material Risks of Significant Investment Strategies — Co-Investment Warehousing*” and “*Allocation of Co-Investment Opportunities*,” this presents additional risks and conflicts of interest.

#### Tax Effects

To the extent a Capital Advisors Vehicle borrows or is deemed to borrow for U.S. federal income tax purposes, it may lead to adverse tax consequences for U.S. tax-exempt investors.

#### *Interests in Non-Affiliated Entities*

The restrictions and conditions in the Governing Documents that relate specifically to our affiliates generally do not apply to companies, funds or other entities that are not our affiliates for purposes of the Governing Documents, even if TPG has significant economic interests and/or non-controlling governance rights in such entities. For example, TPG has entered into and may continue to enter into joint venture and/or similar arrangements with unaffiliated fund managers that entitle us to material amounts of carried interest, management fees and other economics related to the funds they manage and their other activities. We may also have certain minority governance rights in those ventures, such as veto and change of control protections, and may from time to time assist them with investment activities. Transactions by a Capital Advisors Vehicle or its portfolio companies with or alongside such entities generally would not be subject to certain Governing Document restrictions or conditions otherwise applicable to transactions with affiliates. Similarly, any fees or compensation a Capital Advisors Vehicle or its portfolio companies pays to such entities would not offset the Capital Advisors Vehicle’s advisory fees even though we have an indirect economic interest in the entities. In addition, investment opportunities sourced by these ventures generally would not be subject to a Capital Advisors Vehicle’s “duty to offer” provisions, which only apply to investments presented to our affiliates, even if our employees play a role in evaluating and consummating such investments.

### *Conflicts Relating to Activities and Compensation of TPG Operations Professionals*

We engage operations and business building professionals to assist our investment teams in creating value in our portfolio. Some of these professionals are TPG employees; others are consultants. The activities and compensation of these individuals vary depending on whether they are Operations Group professionals, Field Operations professionals or Senior Advisors:

- The TPG Operations team (sometimes referred to as the Business Building Team) is generally comprised of full-time Operations Group professionals and flexible Field Operations professionals.
  - Our Operations Group professionals are TPG employees who provide industry-specific senior-level engagement with portfolio companies, and also work directly with our deal professionals on new deal diligence. They typically receive cash compensation from us, and we may also grant them carried interest in Capital Advisors Vehicles. As described below (see “*Providers of Specialized Operational Services to Portfolio Companies*”), we may be reimbursed for the compensation and related expenses associated with “Specialized Operational Services” performed by members of our Operations Group, even though they are TPG employees.
  - Our Field Operations professionals are consultants who have deep, specialized operating experience. Some of these professionals are sector specialists who focus on a particular industry. They are typically embedded within portfolio companies and given responsibility for narrowly defined initiatives that are part of a broader value creation plan, such as lean manufacturing, sourcing, supply chain management or new product introduction. Field Operations professionals typically have tailored compensation arrangements specific to their engagement. They can receive cash compensation from us, a Capital Advisors Vehicle or a portfolio company, depending on their individual arrangement and the services they provide, but do not typically receive carried interest in Capital Advisors Vehicles. Most of our Field Operations professionals’ compensation is generally either paid or reimbursed by a Capital Advisors Vehicle as a “Specialized Operational Service Expense.” For more information about Specialized Operational Services, see “*Providers of Specialized Operational Services to Portfolio Companies*” below.
- Our “Senior Advisors” are consultants who generally have established industry and/or regional expertise and are available to assist us with transaction sourcing, due diligence, valuation, structuring, consulting and similar matters and to serve on the boards of directors of portfolio companies. We may also utilize other similar consultants with, for example, more narrow expertise. Senior Advisors and such other consultants typically have tailored compensation arrangements specific to their engagement. They can receive compensation in multiple forms, depending on their individual arrangement and the services they provide, including cash payments from us, a Capital Advisors Vehicle or a portfolio company, carried interest in the Capital Advisors Vehicles, profits interests in a portfolio company, equity or stock option grants from a portfolio company, and fees and

promote relating to a particular transaction. Compensation from portfolio companies to our Senior Advisors and other consultants generally do not offset the advisory fees payable by investors in the related Capital Advisors Vehicles.

We determine in our discretion whether to engage an operations professional as a TPG employee or as a consultant. Sometimes, an operations professional is initially engaged as a consultant and later transitions to being an employee. Conversely, sometimes an operations professional is initially an employee and later transitions to being a consultant. Our determination regarding whether to engage an operations professional as either a TPG employee or a consultant may give rise to conflicts of interest because, in general, except with respect to Specialized Operational Services, the compensation costs for TPG employees are borne by us, whereas compensation costs for consultants may be paid by us, a Capital Advisors Vehicle or Related Fund or a portfolio company, as described above. Where an operations professional is performing a Specialized Operational Service for a portfolio company, the Governing Documents of certain Capital Advisors Vehicles allow us to be reimbursed for the costs of those services, regardless of whether the professional providing the service is a TPG employee or consultant.

#### *Conflicts Relating to Activities and Compensation of Senior Advisors*

We maintain business relationships with certain advisors and consultants who we expect to assist or advise us with respect to transaction sourcing, due diligence, valuation, structuring, consulting or similar matters or to serve on the board of directors of one or more portfolio companies of Capital Advisors Vehicles; in some cases, these individuals are former TPG employees or otherwise have close business and personal relationships with TPG.

Senior Advisors are independent contractors. They are not our employees, even if most or all of their work is performed on our behalf or at our direction, they perform the same or similar activities as our employees or they have more access to and involvement in our business activities than other third-party consultants. Senior Advisors are generally not our affiliates for purposes of the Governing Documents and therefore typically are not subject to certain restrictions and conditions that relate specifically to our employees and affiliates. For example, a Capital Advisors Vehicle may make payments to a Senior Advisor, and any fees portfolio companies pay to a Senior Advisor (such as sourcing fees or directors fees) will not reduce the advisory fees payable by investors in the Capital Advisors Vehicle, even if such amounts would reduce the advisory fee if they were paid to our affiliates. In some instances, Senior Advisors may provide operational services to portfolio companies. Moreover, Senior Advisors may make personal investments in portfolio companies alongside Capital Advisors Vehicles, and Capital Advisors Vehicles may invest in portfolio companies in which Senior Advisors hold existing material investments. Similarly, a Capital Advisors Vehicle may co-invest in portfolio companies alongside funds that are managed by Senior Advisors or invest in portfolio companies in which such funds have an existing material investment.

We believe that the expertise of Senior Advisors will benefit the Capital Advisors Vehicles. Relying on Senior Advisors, however, creates conflicts of interest. For example, we typically determine the amount of compensation that will be paid to Senior Advisors, but as described above under “*Conflicts Relating to Activities and Compensation of TPG Operations Professionals*,” portfolio companies or a Capital Advisors Vehicle may ultimately pay or



reimburse us for such compensation. The close business or personal relationships that some Senior Advisors have with us give us less incentive to negotiate with a prospective Senior Advisor for a lower level of compensation. The appropriate level of compensation for a Senior Advisor may be difficult to determine, especially if the expertise and services he or she provides are unique and/or tailored to the specific engagement. In addition, given that we (and not a Capital Advisors Vehicle) otherwise pay the salaries of our employees, we have incentives to retain individuals as Senior Advisors instead of hiring them as employees, or to convert existing employees to Senior Advisors.

#### *Activities and Compensation of Other Third Parties*

In addition to Field Operations professionals and Senior Advisors, we will retain other third parties, such as accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants, to provide services to the Capital Advisors Vehicles, including certain strategic partners as described in “*Conflicts Arising from Strategic Relationships*” below. These services may relate to sourcing, conducting due diligence on or developing potential investments, as well as structuring, managing, monitoring and disposing of investments. In many cases, these are the types of services that TPG employees could also provide or have in the past provided. Determining whether to engage a third party or a TPG employee gives rise to conflicts of interest because we generally bear, with the exception of certain in-house and Specialized Operational Services reimbursed to us under certain Governing Documents (see “*Item 5 – Fees and Compensation*”), the compensation costs of TPG employees who render these services, while amounts paid to third parties are typically an expense of the relevant Capital Advisors Vehicle ultimately borne by its investors (regardless of whether TPG employees have provided similar services to the Capital Advisors Vehicle or other Capital Advisors Vehicles or Related Funds). We therefore have an incentive to retain third parties rather than hire additional TPG employees and to outsource to third-party service providers functions that TPG employees could perform or have previously performed.

#### *Rates of Third-Party Advisors and Other Service Providers*

As described above, the Capital Advisors Vehicles and their portfolio companies will retain or pay for advisors and service providers, including accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants. Some of these advisors and service providers also provide services to or have other relationships with TPG. While we will generally seek to engage advisors and service providers on behalf of the Capital Advisors Vehicles and their portfolio companies on the basis of the quality of the advice and other services provided, these relationships may influence our decision to select or recommend an advisor or service provider to perform services for the Capital Advisors Vehicles or their portfolio companies (the cost of which will generally be borne directly or indirectly by the Capital Advisors Vehicles or their portfolio companies, as applicable). In certain circumstances, advisors and other service providers may charge rates or establish other terms for advice and services provided to TPG, Related Funds or any of their respective affiliates or portfolio companies that are different from and more favorable than those charged in respect of advice and services provided to the Capital Advisors Vehicles and their portfolio companies. Moreover, whereas we typically negotiate on a matter-specific basis the rates or amounts payable for such services, the Capital Advisors

Vehicles or their portfolio companies may sometimes pay higher rates or amounts than we would for such services.

As noted in Item 5, certain portfolio companies of Capital Advisors Vehicles are also, or have been, counterparties or participants in agreements, transactions or other arrangements that involve payments, discounts, reimbursements or other benefits to us or our affiliates. For example, we afford portfolio companies the option to participate in a program with us, our affiliates and other portfolio companies pursuant to which one of our affiliates negotiates favorable procurement arrangements. We and our affiliates, together with participating portfolio companies, receive the favorable procurement terms, which we are able to secure due in part to the involvement of our portfolio companies. As part of this program, our affiliate receives reimbursements from portfolio companies choosing to participate in the program. These reimbursements are designed to cover some or all of the cost of administering the program and are not subject to advisory fee offsets or otherwise shared with the relevant Capital Advisors Vehicles.

#### *Conflicts Arising from Service by Our Professionals on Portfolio Company Boards of Directors*

Our professionals frequently serve on the boards of directors of Capital Advisors Vehicles' portfolio companies by virtue of the governance agreements we typically negotiate with portfolio companies at the time we make an investment. While the interests of a Capital Advisors Vehicle as a shareholder in a portfolio company generally align with the interests of shareholders more broadly, it is possible that our professionals' fiduciary duties to the portfolio company and its shareholders as directors will conflict with the interests of the Capital Advisors Vehicle. For example, it may be inconsistent with a director's fiduciary duties to share information he/she receives regarding the relevant portfolio company with other Capital Advisors Vehicles even though that information would be beneficial to some Capital Advisors Vehicles.

#### *Conflicts Arising from Interests of Our Professionals in the Capital Advisors Vehicles and Related Funds*

Our professionals generally participate indirectly in investments made by the Capital Advisors Vehicles and/or Related Funds. While we believe this helps align the interests of our professionals with those of the Capital Advisors Vehicles' and Related Funds' other investors and provides a strong incentive to enhance Fund performance, these arrangements also give rise to conflicts of interest. For example, our professionals have an incentive to influence the allocation of an attractive investment opportunity to the Fund in which they stand to personally earn the greatest return, although the involvement of a substantial number of professionals in our investment review process mitigates the ability of any single person to control an investment decision. Some of our professionals also have personal investments in entities that are not affiliated with us, which likewise gives rise to conflicts of interest. Our Code of Ethics generally requires Capital Advisors Personnel to disclose such ownership interests periodically.

#### *Conflicts Arising in the Allocation of Our Professionals' Time and Attention*

The success of a Capital Advisors Vehicle will depend on our investment professionals' ability to, among other things, source, underwrite, structure, complete, finance and manage investments,

improve the operations and performance of the companies and assets we acquire and exit investments at the appropriate time and at attractive valuations. To achieve those ends, our investment professionals will devote such time and resources to each Capital Advisors Vehicle's activities as we determine to be appropriate, consistent with the relevant Governing Documents. Our professionals, however, also spend time assisting other Capital Advisors Vehicles and/or Related Funds with their investment activities or working on other projects. In addition, our professionals expect to have responsibilities and duties to the firm generally. Conflicts therefore arise between the Capital Advisors Vehicles and/or Related Funds with respect to the allocation of investment professional time and resources.

#### *Providers of Specialized Operational Services to Portfolio Companies*

We provide operational support, regulatory or legal support, specialized operations and consulting services and similar or related services to one or more Capital Advisors Vehicles or portfolio companies in connection with the identification, acquisition, holding and disposition of investments (including potential investments), either through our or our affiliates' professionals and employees (such as members of our Operations Group), or through the retention of other companies and individuals (such as Field Operations professionals or Senior Advisors). We refer to such services as "Specialized Operational Services" and to the individuals and companies that provide them as "Specialized Operational Service Providers." These services include, for example, support or analysis regarding

- the company's management (including serving in management positions or participating in the determination of corporate strategy);
- the company's supply chain (including leveraged procurement and logistics/distribution networks);
- marketing and sales strategy, pricing and sales force effectiveness;
- data intelligence;
- finance (including generating metrics and reporting and business restructuring);
- human capital management (including recruiting personnel, management on-boarding, identifying, curating and developing a network of talent and third-party recruiting resources in anticipation of supporting portfolio company recruiting efforts and determining executive/incentive compensation);
- information technology;
- corporate communications and public relations (including identifying, curating and developing a network of third-party public relations resources in anticipation of supporting portfolio company corporate communications and public relations efforts);
- governmental affairs and relations;

- customer service;
- sustainability (including target setting and strategy, policy and reporting development);
- property management, development and other real estate matters; and
- other similar operational matters.

Occasionally, whether a service constitutes a Specialized Operational Service is not clear. In these instances, we will consider, in our sole discretion, a service a Specialized Operational Service if we determine that (i) third parties often provide such a service; (ii) it is a service requiring specialized operational experience or expertise; and (iii) it is performed by an individual or individuals with the relevant expertise. For example, board services would not be Specialized Operational Services subject to reimbursement, as they are not operational services requiring specialized operational experience or expertise. Services such as establishing or assessing a leveraged procurement plan or developing a market survey designed to enhance market share would be types of Specialized Operational Services that would be subject to reimbursement, as these services require operational expertise. We engage TPG professionals to provide Specialized Operational Services when we believe that they more effectively drive value creation than independent service providers.

Specialized Operational Services will at times also be provided in respect of portfolio companies prior to the closing of the investment and to Capital Advisors Vehicles in connection with their diligence of potential investments.

As noted in Item 5, portfolio companies and/or the Capital Advisors Vehicles will reimburse the costs and expenses associated with Specialized Operational Services (“Specialized Operational Services Expenses”). Such reimbursements for Specialized Operational Services generally will not reduce the advisory fees charged to Capital Advisors Vehicles, regardless of whether the Specialized Operational Services Expense is incurred in connection with a Specialized Operational Services Provider who is our employee or affiliate. Specialized Operational Services Expenses will typically be determined in our discretion taking into account the particular Specialized Operational Services.

In the event Specialized Operational Services are provided with respect to more than one Capital Advisors Vehicle, such Specialized Operational Services Expenses will generally be allocated among the relevant Capital Advisors Vehicles pro rata in accordance with their respective investments unless another method is more equitable under the circumstances.

If a TPG employee provides the Specialized Operational Service, we determine the associated Specialized Operational Services Expenses by reference to the aggregate annual compensation paid to the employee (including benefits, profits interests, equity interests or other incentive-based compensation), plus an estimate of the overhead and other fixed costs allocable to the employee, and the amount of time spent by the employee providing the Specialized Operational Service. We use a similar formulation for calculating the reimbursement amounts for Specialized Operational Service provided by Field Operations Professionals. As explained above under “*Conflicts Relating to Activities and Compensation of TPG Operations*

*Professionals,”* these professionals have tailored compensation arrangements specific to their engagement that we negotiate with them in our discretion. Given the inherently specialized nature of such services, a limited market for such services exists, often setting no clear market guidelines on appropriate compensation. Although we intend operations professionals to be compensated at competitive rates, their compensation will not necessarily be determined through arm’s-length negotiation.

We have an incentive to retain our operations and business building professionals to provide Specialized Operational Services, even if retaining other providers would be as or more advantageous to the portfolio company. In addition, possible providers of Specialized Operational Services may be investors in, provide goods or services to or have other relationships with the Capital Advisors Vehicle or Related Funds, which in turn may influence our decision on whom to retain.

#### *Conflicts Arising from Customized Terms Provided to Certain Investors*

Investors increasingly expect to make investments in private investment funds on customized terms. We and our related entities accommodate these expectations by entering into written agreements, which we refer to as “side letters,” with investors in connection with the formation of the applicable Capital Advisors Vehicle or establishing separate accounts that provide such investors with customized terms. A side letter typically relates solely to an investor’s interest in a single Capital Advisors Vehicle (i.e., it does not relate to any other Capital Advisors Vehicle or Related Fund) and allows the investor to make its investment in the Capital Advisors Vehicle on terms that are different from, and usually more favorable than, those set forth in the relevant Governing Documents. These customized terms typically result in preferential treatment with respect to, among other things,

- the fee structure, including reduced or modified advisory fees and/or carried interest;
- the offering of co-investment opportunities;
- the ability to opt out of certain types of investments;
- the reporting obligations of the applicable Capital Advisors Vehicle;
- consent rights with respect to certain amendments to documents that govern their rights and obligations and those of the applicable Capital Advisors Vehicle;
- the right to transfer interests in the applicable Capital Advisors Vehicle;
- the right to withdraw from the applicable Capital Advisors Vehicle in the event of adverse tax or regulatory events;
- the right to appoint a representative to the advisory committee of the applicable Capital Advisors Vehicle, if applicable;
- additional confidentiality protections or waiver of existing confidentiality obligations;

- the right to disclose certain information to underlying investors or to the public;
- the investor-specific information or documentation that the applicable Capital Advisors Vehicle may otherwise provide to lenders or other financing sources;
- structuring rights with respect to certain types of investments; or
- any other terms, whether economic, procedural or otherwise.

We will consider many factors in deciding whether to accord investors in Capital Advisors Vehicles customized terms via a side letter and are more likely to grant preferential treatment to the following types of investors:

- investors that have made or have proposed to make relatively large commitments to the Capital Advisors Vehicle or Related Funds or that are anticipated to be important to future TPG fundraising campaigns;
- investors that have a broader strategic relationship with TPG;
- investors that are subject to specific legal, tax or regulatory requirements or policies applicable to them; and
- other investors meeting other criteria we consider reasonable in our discretion.

In general, no investor has any rights under the side letters of other investors. The Governing Documents of certain Capital Advisors Vehicles, however, include a “most-favored nation,” or “MFN,” clause whereby an investor automatically receives certain rights and benefits granted in certain other side letters with respect to the Capital Advisors Vehicle. Except to the extent required by the Governing Documents of the applicable Capital Advisors Vehicle, we and our related entities have no obligation to offer any such additional rights, terms or conditions to any other investor in such Capital Advisors Vehicles.

#### *Favorable Terms Provided to Affiliates and Related Persons*

The employees, business associates and other “friends of the firm” of TPG are typically able to invest directly or indirectly in Capital Advisors Vehicles on terms that are more favorable than those offered to other investors. Such favorable terms may involve, among other things, a waived or reduced advisory fee, and the waiver or reduction of other restrictions. The Capital Advisors Vehicles have no obligation to disclose or offer such favorable terms to any other investor in the Capital Advisors Vehicle, except to the extent required by the Governing Documents of the applicable Capital Advisors Vehicle.

#### *Diverse Membership*

The investors in a Capital Advisors Vehicle are a diverse group that have different investment programs and are subject to different legal, tax and regulatory regimes. For example, investors generally will include taxable and tax-exempt entities and will be organized in various jurisdictions. The nature and diversification of the Capital Advisors Vehicle’s investments, as

well as the manner in which it makes, structures, holds and exits them, may therefore lead to a more favorable legal, tax or regulatory outcome for some of its investors. In selecting investments appropriate for the Capital Advisors Vehicle, we generally consider the investment objectives of the Capital Advisors Vehicle as a whole, not the investment objectives of any of its investors individually. To the extent we are able to structure certain investments based in part on the investors' respective legal, tax and regulatory constraints, we will not take into account such interests as they relate to each individual investor. Each investor in a Capital Advisors Vehicle generally bears its share of the costs associated with a structure designed to address the concerns of other investors regardless of whether that investor itself benefitted.

To address legal, tax, regulatory, accounting or similar considerations, we expect to structure certain Capital Advisors Vehicle investments so that some (if not all) investors hold their interest through one or more alternative investment vehicles (or "AIVs"). While we generally expect that the economic and other substantive provisions governing any AIV will be substantially the same as those governing the applicable Capital Advisors Vehicle (taking into consideration the legal, tax, regulatory, accounting or other impetus for the AIV structure), an investor's rights in, and the obligations and duties of the Capital Advisors Vehicle's general partner as manager of, the AIV may differ from those applicable to the Capital Advisors Vehicle by virtue of the AIV's specific terms or jurisdiction of organization. In addition, the structural attributes of certain AIVs may result in divergent return characteristics for certain investors. For example, we may elect to structure an AIV that results in favorable tax treatment for one set of investors but less favorable tax attributes for another.

In addition, investors in a Capital Advisors Vehicle typically engage in a broad range of investment activities in addition to their investment in the Capital Advisors Vehicle. Some investors may enter into various transactions relating to the Capital Advisors Vehicle or its portfolio companies, such as co-investments alongside the Capital Advisors Vehicle (see "*Allocation of Co-Investment Opportunities*"), financing transactions for Capital Advisors Vehicle portfolio companies and the direct acquisition of portfolio companies from the Capital Advisors Vehicle. Provided that an investor is not otherwise our affiliate, these types of transactions generally do not require the consent of the Capital Advisors Vehicle's advisory committee or investors more generally.

Investors that serve on a Capital Advisors Vehicle's advisory committee (or similar body) will have interests that differ from, or conflict with, the interests of other investors due to different legal, tax or regulatory regimes, their interests in other Capital Advisors Vehicles or Related Funds or their overall relationship with TPG (including direct or indirect economic interests in TPG-affiliated entities). The Governing Documents typically provide that each advisory committee member can take into consideration solely its interests in discharging its duties. Accordingly, the advisory committee can make decisions that benefit its members, the Capital Advisors Vehicle or TPG, even if they are adverse to other investors in the Capital Advisors Vehicle. Similarly, investors in a Capital Advisors Vehicle do not need to take into account the interests of other investors in voting on matters presented to partners more generally.

## *Platform Companies*

At times a Capital Advisors Vehicle establishes or invests in portfolio companies that in turn seek to acquire interests in related companies or assets. We may structure these portfolio companies, which we refer to as “platform companies,” as operating joint ventures, holding companies, partnerships, structured finance vehicles, incubators, start-up and other platform companies or other similar arrangements. A Capital Advisors Vehicle may fund these companies up front or gradually over time. In the event a Capital Advisors Vehicle makes such an investment, we generally would expect the Capital Advisors Vehicle to monetize its investment in a platform company through a sale or public offering of the platform company (or the Capital Advisors Vehicle’s interest in the company) or through sales of the platform company’s underlying assets.

While the Capital Advisors Vehicle would, by virtue of the control it exercises over a platform company, typically be involved in the strategy, governance and oversight of any platform company (and we may provide services to the platform company, such as legal or capital markets advice, similar to what we typically render to other portfolio companies), a platform company would also typically retain its own qualified management team, either internally or externally, to operate, administer and manage the company on a daily basis, including by sourcing the underlying assets. Such a management team would provide services that are similar to, and that may overlap with, services we provide to the Capital Advisors Vehicle and other Funds or Related Funds. Members of the management team may render services exclusively to the platform company or provide the same or similar services to unaffiliated third parties or to other Funds, Related Funds or portfolio companies, including similar platform companies of predecessor or successor Funds or Related Funds.

The platform company may compensate its management team in a number of ways, including through annual salaries and bonuses, incentive-based compensation (such as profits interests, promote, equity, options and warrants), fees for services or a combination of the foregoing. In any case, the Capital Advisors Vehicle would generally bear the cost of such compensation, as well as all other platform company expenses, including start-up, operating and overhead expenses, through its direct or indirect interest in the platform company.

Members of a platform company’s management team may receive separate compensation for services rendered to unaffiliated third parties or to other Capital Advisors Vehicles, Related Funds or portfolio companies. In addition, a platform company or its management team may receive a fee or other compensation for forwarding to unaffiliated third parties or to Capital Advisors Vehicles, Related Funds or portfolio companies any investment opportunity that the platform company or Capital Advisors Vehicle (consistent with its Governing Documents) declines to pursue. Any compensation the management team receives, regardless of whether a Capital Advisors vehicle or a Related Fund, portfolio company or unaffiliated third party pays, will be in addition to, and typically does not offset, the advisory fee investors in the Capital Advisors Vehicle pay and could be substantial. Similarly, such compensation arrangements generally would not trigger the advisory committee disclosure, review or consent provisions of the Governing Documents.



A platform company's structure and relationship to us creates conflicts of interest. For example, although we (by virtue of our control of the Capital Advisors Vehicle) would form the platform company and in doing so may determine or significantly influence the form and amount of compensation paid to a platform company's management team, the platform company (and ultimately the Capital Advisors Vehicle) bears the attendant expense. As with Senior Advisors, the close business or personal relationships that we may have with certain members of management give us less incentive to limit their compensation. In addition, given that we (and not the Capital Advisors Vehicle) otherwise pays the salaries of our employees, we have the incentive to cause a platform company to retain its own management team instead of relying on TPG employees to provide managerial services, or to convert existing TPG employees into members of a platform company's management team.

#### *Conflicts Arising from Strategic Business Partners*

We have also formed and may continue to form relationships with third-party strategic partners to allow a Capital Advisors Vehicle or Related Fund to take advantage of their expertise, often in particular industries, sectors and/or geographies. These strategic partners often have close business relationships with us and provide services that are similar to, and that may overlap with, services we provide to Capital Advisors Vehicles or Related Funds, including sourcing, conducting due diligence on or developing potential investments, as well as structuring, managing, monitoring and disposing of investments.

We determine the compensation of our strategic partners on a case-by-case basis, and this compensation may take the form of

- cash payments from us, a Capital Advisors Vehicle or Related Fund or a portfolio company;
- grants of carried interest generated by a Capital Advisors Vehicle or Related Fund;
- stock option or equity grants in a portfolio company;
- profits interests in a portfolio company or holding vehicles beneath a Capital Advisors Vehicle or Related Fund; and/or
- other similar payments from us, a Capital Advisors Vehicle or Related Fund or a portfolio company.

This creates a conflict of interest because we have an incentive to structure compensation under strategic business partnerships so that the Capital Advisors Vehicle or Related Fund (and hence their investors) bears the costs (directly or indirectly) instead of us. In addition, as with Senior Advisors, our close business relationships with our strategic partners may give us less incentive to negotiate with a strategic partner for a lower level of compensation.

We may also offer strategic partners the opportunity to co-invest alongside a Capital Advisors Vehicle in certain investments, in some cases regardless of whether such partner played a

significant role in sourcing or managing the specific investment (see “*Allocation of Co-Investment Opportunities*” above).

### *Conflicts Arising from Business with Portfolio Companies*

Portfolio companies of Capital Advisors Vehicles (or Related Funds) generally are not our affiliates for purposes of a Capital Advisors Vehicle’s Governing Documents. As a result, the restrictions and conditions in the Governing Documents that relate specifically to our affiliates do not apply to Capital Advisors Vehicles’ (or Related Funds’) portfolio companies, even if we have a significant economic interest in a portfolio company and/or ultimately control it through our control of the relevant fund. For example, in the event that a Capital Advisors Vehicle or one of its portfolio companies enters into a transaction with a portfolio company of another Capital Advisors Vehicle or Related Fund, such transaction generally would not trigger the advisory committee disclosure, review or consent provisions of the Governing Documents typically applicable to transactions with affiliates. Also, if a Related Fund establishes a platform company, investment opportunities that the platform company management sources for the platform company will not be offered to the Capital Advisors Vehicles.

Given the collaborative nature of our business (and the business of our affiliates) and the portfolio companies in which some Capital Advisors Vehicles (or Related Funds) have invested, we (or Related Funds) from time to time recommend the services of a portfolio company to other portfolio companies. We have a conflict of interest in making such recommendations, in that we have an incentive to maintain goodwill between ourselves and the existing and prospective portfolio companies for the Capital Advisors Vehicles or Related Funds, while it is possible that the products or services recommended are not necessarily the best available to the portfolio companies held by the Capital Advisors Vehicles or the most favorably priced.

From time to time we, in our discretion, cause the Capital Advisors Vehicles and/or certain of their portfolio companies to have ongoing business dealings, arrangements or agreements with persons who are our former employees or executives of ours or a Related Adviser. The Capital Advisors Vehicles and/or their portfolio companies would bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there exists a conflict of interest between ourselves and the Capital Advisors Vehicles (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that we will favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person. Portfolio companies of Capital Advisors Vehicles also could be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Capital Advisors Vehicles that involve fees and/or servicing payments to us or our affiliates which are not subject to advisory fee offsets or otherwise shared with the relevant Capital Advisors Vehicles.

In addition, portfolio companies of Capital Advisors Vehicles or Related Funds, from time to time, make discounts and other benefits available to Capital Advisors Personnel in connection with products or services offered by such companies.

### *Conflicts Arising from Business with Certain Investors*

We have service providers, including for example, investment bankers and outside legal counsel, who are investors in Capital Advisors Vehicles and/or who provide services to businesses that are our competitors. We have a conflict of interest with the Capital Advisors Vehicle in recommending the retention or continuation of a service provider if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Capital Advisors Vehicles or Related Funds or will provide us information about our competitors. There is a possibility that we, because of such belief or for other reasons, will favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Portfolio companies controlled by a Capital Advisors Vehicle from time to time provide services to certain Capital Advisors Vehicle or Related Fund investors. We have an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Capital Advisors Vehicle.

Certain members of a Fund's advisory committee are, or in the future could be, officers or directors of, or otherwise affiliated with, limited partners of a Capital Advisors Vehicle or one or more other Capital Advisors Vehicles or Related Funds. The general partner of a Capital Advisors Vehicle or a Related Fund has the discretion to utilize the services of limited partners and their affiliates on an arm's-length basis, as it deems appropriate.

It is possible that we exercise our discretion to enter into transactions with investors in one or more Capital Advisors Vehicles to dispose of all or a portion of certain investments held by one or more Capital Advisors Vehicles. In exercising our discretion to select the purchaser(s) of such investments, we will consider some or all of the factors listed above under "*Allocation of Co-Investment Opportunities*." The sales price for such transactions will be mutually agreed to by us and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by us. Although we are not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, we will first determine that such transaction is in the best interests of the applicable Capital Advisors Vehicles, taking into account the sale price and the other terms of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Capital Advisors Vehicles. Any such transactions will comply with the Governing Documents of the applicable Capital Advisors Vehicles.

### *Conflicts Related to Legal Counsel and Other Service Providers Engaged by Capital Advisors Vehicles and Related Funds*

Capital Advisors Vehicles and the Related Funds will often engage common legal counsel and other advisors to represent all of the Capital Advisors Vehicles and/or the Related Funds in a particular transaction, including a transaction in which a Capital Advisors Vehicle, other Capital Advisors Vehicles or Related Funds have conflicting interests because they have invested in

different securities of the company. In the event of a significant dispute or divergence of interest between a Capital Advisors Vehicle, other Capital Advisors Vehicles or Related Funds, such as in a work-out or other distressed situation, separate representation will typically become desirable, in which case we and the other Related Advisers may hire separate counsel in our sole discretion, and in litigation and other circumstances, separate representation will occasionally be required. Law firms engaged to represent Capital Advisors Vehicles and Related Funds, partners in those firms or entities affiliated with those firms may be investors in such Capital Advisors Vehicle, other Capital Advisors Vehicles or Related Funds, and may also represent one or more portfolio companies or limited partners of such Capital Advisors Vehicle, other Capital Advisors Vehicles and/or Related Funds.

#### *Conflicts Relating to Services Provided by Related Persons*

From time to time we, in our discretion, contract with related persons (including a portfolio company of a Capital Advisors Vehicle or a family member of Capital Advisors Personnel) to perform services (including brokerage services) for us in connection with our provision of services to the Capital Advisors Vehicles. When engaging a related person to provide such services, we will generally have a financial, personal or other business incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

From time to time we, in our discretion, recommend to a Capital Advisors Vehicle or one of its portfolio companies that it contract for services or, in providing services to a Capital Advisors Vehicle, directly engage with

- a related person of ours (including a portfolio company of a Capital Advisors Vehicle); or
- an entity or person with which or whom we or Capital Advisors Personnel has a relationship or from which or whom we or Capital Advisors Personnel otherwise derives financial, personal or other benefit.

When making such a recommendation, it is possible that we or Capital Advisors Personnel, because of our financial, personal or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

#### *Conflicts Related to Strategic Transactions*

TPG is a broad-based alternative investment platform that may engage in strategic transactions, including the acquisition of, or combination with, other investment platforms, generally without regard to whether a Capital Advisors Vehicle would otherwise be interested in pursuing any such transaction. The Governing Documents generally do not prohibit or restrict such strategic transactions.

In the event that we, any of our affiliates or any other party engages in any such transaction or otherwise engages in any actions or any other event occurs that results in an “assignment” (including for purposes of the Advisers Act) of the Advisory Services Agreement or any other agreement (including because of any change in our control group), and as a result we or any

other entity must seek the consent of the Capital Advisors Vehicle under applicable law, the general partner of the Capital Advisors Vehicle will not seek the consent of the limited partners of such Capital Advisors Vehicle but will have the authority to act for the Capital Advisors Vehicle in determining whether or not to provide any required consent.

Since the general partner of the Capital Advisors Vehicle is under common control with us and we each may have a financial interest in the consummation of any such transaction that is different from the interests of the Capital Advisors Vehicle or its limited partners, the general partner of the Capital Advisors Vehicle will likely have a conflict of interest in making this determination. Pursuant to the Governing Documents, the general partner of the Capital Advisors Vehicle is under no obligation to seek approval from the Capital Advisors Vehicle's limited partners as to any such consent, and the limited partners will not have the right to remove the general partner or cause the Capital Advisors Vehicle to terminate the Advisory Services Agreement, transfer their interests or otherwise exit the Capital Advisors Vehicle, or exercise any other rights or remedies (other than those that are explicitly provided in the Capital Advisors Vehicle's Governing Documents).

#### *Conflicts Arising in Respect of Alignment of Interest*

A number of persons hold direct or indirect equity and other economic interests in TPG, including in our holding company and certain other subsidiaries or vehicles that we control. While these persons mostly are current TPG partners, employees or other individuals who are or have been involved in the activities and affairs of TPG, a limited number are third-party investors, including current or potential investors in Capital Advisors Vehicles and/or Related Funds, who are not involved in TPG's day-to-day operations. We may permit such third-party investors to hold direct or indirect, passive economic interests in, or provide other forms of financing to, TPG-controlled vehicles, including entities we form to exercise our rights or discharge our obligations under the applicable Governing Documents. Such TPG-controlled vehicles may be used to fund TPG's capital commitments to Capital Advisors Vehicles and/or Related Funds, including the required minimum commitment as well as any additional commitments permitted following the end of the fundraising period. This practice may have the effect of reducing the amount of capital contributed by persons responsible for operating the Capital Advisors Vehicles and/or Related Funds and lessening the alignment of interests between such persons and the investors in such Capital Advisors Vehicles and/or Related Funds.

#### *Conflicts Related to the Valuation of Assets*

We generally determine, in our discretion, the fair value of each Capital Advisors Vehicle's assets. While we follow rigorous valuation methodologies and procedures that are designed to ensure that our fair value determinations are strictly the product of the application of U.S. generally accepted accounting principles (in particular, Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements), we have incentives to arrive at higher valuations. First, when we determine that the fair value of an investment by certain Capital Advisors Vehicles is less than the capital contributions made with respect to it, we are obligated under the relevant Governing Documents to write down the asset. Depending on the extent of the write-down, the Capital Advisors Vehicle would need to receive proceeds in the amount of the write down, among other amounts, before its general partner could begin to

receive carried interest. A decision not to write down an investment would avoid this negative impact on the amount of carried interest due the general partner. Second, the rate of carried interest allocated to the general partners of certain Capital Advisors Vehicles depends on whether the Capital Advisor Vehicle achieves a certain multiple-of-money or rate of return. Higher valuations could facilitate the Capital Advisor Vehicle's achievement of a multiple-of-money or rate of return that would result in the receipt by the corresponding general partner of a greater amount of carried interest than if the valuations were lower. Third, we regularly report to investors in the Capital Advisors Vehicles, prospective investors and the investor community more generally metrics of the Capital Advisors Vehicles' performance, such as rates of return and multiples-of-money, whose calculation depends on the value of the Capital Advisors Vehicles' investments, including unrealized investments. These reports are an indication of the overall health of the Capital Advisors Vehicles and are important to our efforts to attract investors to Capital Advisors Vehicles and Related Funds. An objective of our valuation methodologies and procedures is to eliminate any influence these incentives may have on our fair value determinations.

Our valuations will be based to a large extent on our estimates, comparisons and qualitative evaluations of private information, which may be incomplete or inaccurate. Third parties therefore may not be able to replicate our methodology or to value accurately the Capital Advisors Vehicles' investments. The amount of judgment and discretion inherent in valuing assets renders valuations uncertain and susceptible to material fluctuations over possibly short periods of time; substantial write-downs and earnings volatility are possible. Our determination of an investment's fair value may differ materially from the value that would have been determined if a ready market for the securities had existed and the valuations the managers of other funds or other third parties ascribe to the same investment. Our valuation of an investment at a measurement date may also differ materially from the value that is obtained upon the investment's exit.

#### *Conflicts Relating to Fee Structure and Carried Interest*

Certain Capital Advisors Vehicles have fixed investment periods after which capital is only permitted to be drawn down in limited circumstances, and advisory fees are, at certain times during the life of those Capital Advisors Vehicles, based upon capital invested by the Capital Advisors Vehicles. This fee structure creates an incentive to deploy capital when we would not otherwise have done so.

Because the amount of carried interest generally payable to the general partner of certain Capital Advisors Vehicles depends on the Capital Advisors Vehicle's performance, we have an incentive to approve and cause the Capital Advisors Vehicles to make more speculative investments than they would otherwise make in the absence of such performance-based allocation. We also have an incentive to dispose of a Capital Advisors Vehicle's investments at a time and in a sequence that would generate the most carried interest or that would avoid a "clawback" of carried interest, even if it would not be in the Capital Advisors Vehicle's interest to dispose of the investments in that manner.

### *Conflicts Relating to Related Services*

As described in Item 5 above, we will often perform Related Services for, and, consistent with the Governing Documents, will receive fees or reimbursements from, actual or prospective portfolio companies or other investment vehicles of the Capital Advisors Vehicles. Such fees will be in addition to any advisory fees or carried interest the Capital Advisors Vehicles pay us. This creates a conflict of interest between ourselves and the Capital Advisors Vehicles and their investors because the amounts of these fees and reimbursements are often substantial and the Capital Advisors Vehicles and, except in connection with the reductions described below, their investors generally do not have an interest in these fees and reimbursements. We generally determine the amount of these fees for Related Services and reimbursements in our own discretion, subject to agreements with sellers, buyers, management teams, the boards of directors of or lenders to portfolio companies and/or third-party co-investors. There are also circumstances (such as the occurrence of an initial public offering or a sale where the Capital Advisors Vehicle maintains a material interest) that will accelerate the payment of a portion of such fees or otherwise result in the payment of other exit, performance-based or termination fees, which may have an adverse impact on the portfolio companies.

Although these fees for Related Services are in addition to the advisory fees, we will in many circumstances be obligated to reduce the amount of advisory fees paid by the applicable Capital Advisors Vehicle by an amount equal to all or a portion of such fees for Related Services. The specific amount and nature of this reduction varies among Capital Advisors Vehicles and is generally set forth in the Governing Documents of the applicable Capital Advisors Vehicle. Entities other than Capital Advisors Vehicles that participate in investments alongside the Capital Advisors Vehicles (such as entities through which we and certain of our employees and affiliates invest alongside the Capital Advisors Vehicles) often have a right to share in such fees, and advisory fees will generally not be reduced in connection with the receipt of such entities' share of such fees. In many cases with respect to the implementation of such arrangements, there is not an independent third party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. Furthermore, as noted above, a Capital Advisors Vehicle will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee allocable to another entity, including, if applicable, a Co-Investment Vehicle. As some Capital Advisors Vehicles do not pay advisory fees (e.g., certain Co-Investment Vehicles), or do not have offset provisions requiring the reduction of advisory fees, any such reduction will not benefit such Capital Advisors Vehicles.

### *Conflicts Related to the Employee Retirement Income Security Act of 1974*

A Capital Advisors Vehicle and one or more other Capital Advisors Vehicles or Related Funds may hold "plan assets" subject to ERISA. With respect to those plan assets, if any, we and certain related entities would be classified as "fiduciaries" under ERISA. ERISA imposes certain general and specific responsibilities and restrictions on fiduciaries with respect to plan assets. As a result, a Capital Advisors Vehicle may be prohibited from entering into certain transactions if the investment would violate ERISA with respect to such Capital Advisors Vehicle or such other Capital Advisors Vehicles or Related Funds, or may be obligated to take certain actions or refrain from taking certain actions in order to avoid a violation of ERISA with

respect to such Capital Advisors Vehicle, such other Capital Advisors Vehicles or such Related Funds.

#### *Conflicts Related to the Hiring of Asset Managers or Servicers*

The general partner of a Capital Advisors Vehicle will from time to time hire asset managers, servicers or other strategic counterparties (collectively, “Servicers”), including affiliates of ours or the general partner (or entities in which affiliates of ours or the general partner have an interest or a right to acquire an interest), to provide asset management, sourcing, due diligence, underwriting, loan and other asset servicing, accounting, operational or other services with respect to portfolio companies. The fees to be paid to the Servicer are determined at the discretion of the general partner taking into account the assets to be governed by such agreement, may include a profits interest or other incentive-based compensation to the Servicer, and are otherwise determined according to one or more methods, including a percentage of the value of the assets being serviced or the invested capital exposed to such assets, and/or a percentage of cash flows from such assets. In the event one or more Servicers is providing services to multiple Capital Advisors Vehicles, we will allocate such fees among these Capital Advisors Vehicles in a manner we deem fair and equitable, in our sole discretion. To the extent any such fees are payable to an affiliated Servicer, such fees will not reduce any fees otherwise payable to us or our affiliates and, other than fees payable as disclosed in a Capital Advisors Vehicle’s Governing Documents, will require approval of the Capital Advisors Vehicle’s advisory committee. Our affiliates or those of the general partner will benefit from these arrangements.

#### *Conflicts Arising from the Exit of Certain Investments*

The general partner of a Capital Advisors Vehicle, or its affiliates, from time to time receives distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receives such a distribution, the general partner may act in its own interest with respect to its share of securities and will determine to sell the distributed securities, or hold the distributed securities for such time as the general partner will determine. The ability of a Capital Advisors Vehicle’s general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Capital Advisors Vehicle, and the Capital Advisors Vehicle and its investors.

#### *Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements*

The Governing Documents of each Capital Advisors Vehicle and related documents are detailed agreements that establish complex arrangements among us, the limited partners, the Capital Advisors Vehicle, the general partner and other entities and individuals. Questions arise under these agreements regarding the parties’ rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements’ drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While we will construe the relevant agreements in good faith and in a manner consistent with our legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations we adopt will not



necessarily be, and need not be, the interpretations that are the most favorable to the Capital Advisors Vehicles or their investors.

### *Conflicts Related to the Withholding of Certain Information*

The Governing Documents of certain Capital Advisors Vehicles generally permit each such Capital Advisors Vehicle's general partner to withhold information from certain limited partners or investors in such Capital Advisors Vehicle in certain circumstances. For instance, information will at times be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The general partner will also from time to time elect to withhold certain information to such limited partners for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

## **ITEM 12 – BROKERAGE PRACTICES**

### ***Investment or Brokerage Discretion***

For each of the Capital Advisors Vehicles, we have sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. We seek the best price and execution available except to the extent we are permitted to pay higher brokerage commissions in exchange for brokerage and research services. "Best execution" means obtaining for a Capital Advisors Vehicle the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer.

In selecting brokers or dealers, we generally consider various factors, including:

- the broker-dealer's reputation, experience and financial stability;
- the broker-dealer's ability to maintain our anonymity;
- the broker-dealer's ability to provide competitive pricing;
- the transaction's size and timing;
- the broker-dealer's ability and willingness to commit capital and provide prompt and accurate execution and settlement;
- whether the broker-dealer makes a market in a security and/or finds sources of liquidity;
- the nature of the market for the security and the difficulty of execution;
- the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market;
- the belief that the broker-dealer charges fair and reasonable fees for trades, and that the Capital Advisors Vehicles have been treated fairly and honestly in prior trades;

- the quality of execution and service rendered by the broker-dealer in prior transactions;
- any proprietary research and investment ideas; and
- our overall relationship with the broker-dealer.

Each of TPG BD and TSSP BD may also, in some cases, act as a broker in transactions on behalf of Capital Advisors Vehicles. However, TPG BD and TSSP BD will only serve as a broker-dealer in a transaction if it is consistent with our fiduciary duties.

We have no formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions (so-called “soft dollar” arrangements). However, we may select brokers or dealers who provide us research reports and services, including:

- proprietary broker-dealer company research and analyses;
- oral and written reports, statistics and advice about the economy, industries and individual securities’ or company investment opportunities;
- reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics; and
- opportunities to confer with company management.

In accordance with Section 28(e) of the Exchange Act, broker-dealers providing such services will from time to time be paid commissions on transactions for Capital Advisors Vehicles in excess of those that other broker-dealers not providing such services might charge so long as we determine in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the accounts over which we exercise investment discretion. Recognizing the value of the brokerage and research services provided, we from time to time will allow a brokerage commission or negotiated term in excess of that which another broker might have charged for effecting the same transaction.

We periodically evaluate the overall reasonableness of the brokerage commissions and negotiated terms paid to or made with broker-dealers with respect to client transactions by, among other things, seeking to compare such commissions and terms with the commission rates and negotiated terms being charged by and entered into with other comparable broker-dealers. We also periodically review the past performance of the broker-dealers with whom we have placed orders to execute Capital Advisors Vehicle transactions in light of the factors discussed above.

Please refer to the section above entitled “*Conflicts Related to the Hiring of Asset Managers or Servicers*” for a discussion of potential conflicts of interests that affect our choice of service providers, including broker-dealers.

### ***Cross Transactions***

Generally, we do not effect cross transactions between Capital Advisors Vehicles and Related Funds (a “cross-fund transaction”); however, they may be effected in rare instances. Such cross-fund transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Capital Advisors Vehicle may not receive the best price otherwise possible, or we might have an incentive to improve the performance of one Capital Advisors Vehicle or Related Fund by selling underperforming assets to another Capital Advisors Vehicle in order, for example, to earn fees. Additionally, in connection with such transactions, we

- may have significant investments, or intentions to invest, in the Capital Advisors Vehicle or Related Fund that is selling and/or purchasing such an investment; or
- otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment).

We may receive management or other fees in connection with our management of the relevant Capital Advisors Vehicles or Related Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Capital Advisors Vehicles or Related Funds.

In the event that we do effect cross-fund transactions between Capital Advisors Vehicles or Related Funds, we will seek to ensure that such transactions and any related disclosures are made consistent with applicable laws and agreements (including obtaining any requisite approvals thereunder) and our policies and procedures. In particular, we will seek to ensure that the transaction is:

- in our judgment, in the best interests of each Capital Advisors Vehicle involved in the transaction; and
- in compliance with any investment guidelines or restrictions for these Capital Advisors Vehicles.

In effecting these transactions, we will seek to ensure that the purchase or sale is effected at a price that is comparable to what price could be obtained through an arm’s-length transaction with a third party and that is otherwise fair to both parties. We will maintain documentation to memorialize the basis for determining fairness in pricing. Neither we nor any of our affiliates will receive any compensation for effecting a cross-fund transaction.

### ***Trade Aggregation***

In pursuing our investment objectives, we from time to time cause Capital Advisors Vehicles to purchase and sell publicly traded securities through brokers. If we have determined to sell or purchase a publicly traded security at the same time for more than one Capital Advisors Vehicle, the Chief Compliance Officer or his/her designee will seek to ensure that combined orders for all Capital Advisors Vehicles are generally placed while assigning pre-order allocations. If an order for more than one Capital Advisors Vehicle cannot be fully executed, we typically “bunch” buy

or sell orders for two or more Capital Advisors Vehicles into a single large order, and place the bunched order with a single broker or dealer for execution. In many instances, such “bunching” of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Capital Advisors Vehicle’s order were placed separately. There may, however, be instances in which order bunching results in a less favorable transaction than a particular Capital Advisors Vehicle would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more Capital Advisors Vehicles will have an adverse effect on other Capital Advisors Vehicles. We are not obligated to place all transactions on a “bunched” basis. We generally will seek to avoid putting any Capital Advisors Vehicle at an advantage or disadvantage compared to other Capital Advisors Vehicles that are buying or selling the same security. Each Capital Advisors Vehicle participating in a “bunched” order generally will participate at the same price as all other participants, and all transaction costs on the order will be allocated pro rata to all participating Capital Advisors Vehicles.

### **ITEM 13 – REVIEW OF ACCOUNTS**

#### ***Review of Accounts***

The investment portfolios of the Capital Advisors Vehicles are generally private, illiquid and long- or medium-term in nature; accordingly, our review of them is not directed toward a short-term decision to dispose of securities. However, we closely monitor the Capital Advisors Vehicles’ portfolio companies and generally maintain an ongoing oversight position in such portfolio companies.

In addition, with respect to investments such as bank and other loans, financings, originations and related credit, fixed income and other instruments and claims, we continually review and analyze existing investment positions to attempt to identify issues early on and to take action when necessary. We meet periodically with members of our investment review committee to update them on such portfolio positions and related matters.

#### ***Reporting***

We generally do not provide formal written reports to any Capital Advisors Vehicle unless specifically requested by the general partner of the vehicle. We generally report to investors in a Capital Advisors Vehicle in accordance with the applicable Governing Documents.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

For information regarding any economic benefits we receive from non-clients, including a description of related conflicts of interest, please see “*Item 10 – Other Financial Industry Activities and Affiliations*” above. In addition, as discussed in Item 11, we and our related persons, in certain instances, receive discounts on products and services provided by portfolio companies held by Capital Advisors Vehicles and/or the customers or suppliers of such portfolio companies.

## **ITEM 15 – CUSTODY**

Not applicable.

## **ITEM 16 – INVESTMENT DISCRETION**

Pursuant to the Advisory Services Agreement of each Fund and certain Co-Investment Vehicles, and subject to the direction and control of the general partner of such Fund or Co-Investment Vehicle, we generally perform the day-to-day investment operations of each such Fund and Co-Investment Vehicle in accordance with the terms and conditions of the Advisory Services Agreement and Governing Documents of such Fund or Co-Investment Vehicle.

Some Co-Investment Vehicles are established to invest alongside one or more Funds in one or more particular investment opportunities. Because a Co-Investment Vehicle is typically contractually required, as a condition of its investment, to exit its investment in the particular investment opportunity at the same time and on the same terms as the applicable Fund that also is invested in the particular investment opportunity, we generally will not have any discretion to invest the assets of such Co-Investment Vehicles independent of such contractual requirements.

## **ITEM 17 – VOTING CLIENT SECURITIES**

We have been delegated the authority to vote proxies (which, for these purposes, includes other corporate actions, such as consent requests) regarding securities held by the Capital Advisors Vehicles. We have adopted and implemented policies and procedures reasonably designed to ensure that we vote proxies in the best interests of the Capital Advisors Vehicles. In exercising our voting discretion, we seek to avoid any direct or indirect conflict of interest between the Capital Advisors Vehicles and the voting decision.

It is our general policy to vote or to give consent on all matters presented to security holders in any proxy or similar request, and our policies and procedures have been designed with that in mind. However, we reserve the right to abstain on any particular vote or otherwise to withhold our vote or consent on any matter if, in the judgment of certain of our professionals, the costs associated with voting such proxy outweigh the benefits to the applicable Capital Advisors Vehicles or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the applicable Capital Advisors Vehicles.

Capital Advisors Vehicles generally cannot direct our vote.

Our Chief Compliance Officer or his/her delegate (a “Proxy Reviewer”) is responsible for monitoring proxy decisions for any actual or perceived conflicts of interests. All proxy voting decisions require a mandatory conflicts of interest review by a Proxy Reviewer, which includes consideration of whether we or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. When the Proxy Reviewer deems appropriate in his/her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Proxy Reviewer has the power to retain independent fiduciaries, consultants or professionals to assist with proxy voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

When voting proxies on behalf of Capital Advisors Vehicles, we vote in a manner that we believe is consistent with the best interest of the Capital Advisors Vehicles, which may include agreeing with a third party to vote on a matter in a particular manner if we deem such agreement to be in the best interest of the Capital Advisors Vehicles. We do not permit proxy voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

In accordance with the requirements of the Advisers Act, we maintain records of our proxy voting for at least five years and, at a Capital Advisors Vehicle's request, will furnish proxy voting information, free of charge, to the requesting Capital Advisors Vehicle within a reasonable period of time (usually within ten business days). Capital Advisors Vehicles may request proxy voting information by contacting the Chief Compliance Officer at (817) 871-4000 or by writing to TPG Capital Advisors, LLC, Attn: Chief Compliance Officer, at 301 Commerce St., Suite 3300, Fort Worth, Texas 76102.

#### **ITEM 18 – FINANCIAL INFORMATION**

Not applicable.