

Investment Adviser Brochure

GRYPHON ADVISORS, LLC

Part 2A of Form ADV

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Gryphon Advisors, LLC (“Gryphon Advisors”). If you have any questions about the contents of this Brochure, please contact us at (415) 217-7400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

Gryphon Advisors is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Gryphon Advisors is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

Gryphon Advisors filed its most recent Form ADV Part 2A on March 30, 2018. This annual amendment updates the assets under management of Gryphon Advisors, as well as the description of the business practices of Gryphon Advisors and its affiliates, including, but not limited to, investment risks and conflicts of interest.

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ADVISORY BUSINESS

Gryphon Advisors is a private investment management firm, including several investment advisory entities and other affiliated organizations with Gryphon Advisors (collectively, “Gryphon”), that manages private fund assets. Gryphon commenced operations in 1995.

Gryphon Advisors, a Delaware limited liability company and a registered investment adviser, together with its affiliated investment advisers, provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. Gryphon Advisors commenced operations in June 1999.

The following general partner entities are affiliated with Gryphon Advisors (collectively with Gryphon Advisors, the “Advisers”):

- Gryphon GenPar II, LLC (“GP II”);
- Gryphon GenPar III, L.P. (“GP III”);
- Gryphon GenPar 3.5, L.P. (“GP 3.5”);
- Gryphon GenPar IV, L.P. (“GP IV”);
- Gryphon Mezzanine Partners GP, L.P. (“GP Mezz”);
- Gryphon GenPar V, L.P. (“GP V”); and
- Gryphon Mezzanine Partners GP II, L.P. (“GP Mezz II” and, together with GP II, GP III, GP 3.5, GP IV, GP Mezz, and GP V, the “General Partners”).

Each General Partner listed above is subject to the Advisers Act pursuant to and in reliance upon Gryphon Advisors’ registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which collectively operate as a single advisory business together with Gryphon Advisors.

Gryphon Advisors serves as the management company of:

- Gryphon Partners II, L.P. and Gryphon Partners II-A, L.P., each a Delaware limited partnership (collectively, “Gryphon II”);
- Gryphon Partners III, L.P., Gryphon Partners III-A, L.P., Gryphon Partners III-B, L.P., Gryphon Co-Invest Fund III, L.P. (“Co-Invest Fund III”), and Gryphon Partners III-C Annex Fund, L.P., each a Delaware limited partnership (collectively, “Gryphon III”);
- Gryphon Partners 3.5, L.P. and Gryphon Partners 3.5-A, L.P., each a Delaware limited partnership (collectively, “Gryphon 3.5”);

- Gryphon Partners IV, L.P., Gryphon Partners IV-A, L.P., and Gryphon Co-Invest Fund IV, L.P. (“Co-Invest Fund IV”), each a Delaware limited partnership (collectively, “Gryphon IV”);
- Gryphon Mezzanine Partners, L.P., a Delaware limited partnership (“Gryphon Mezz”);
- Gryphon Partners V, L.P., Gryphon Partners V-A, L.P., and Gryphon Partners V-B, L.P., each a Delaware limited partnership (collectively, “Gryphon V”); and
- Gryphon Mezzanine Partners II, L.P., a Delaware limited partnership (“Gryphon Mezz II” and, together with Gryphon II, Gryphon III, Gryphon 3.5, Gryphon IV, Gryphon Mezz, Gryphon V, and their respective parallel and alternative investment vehicles, the “Funds”).

The General Partners each serve as general partner to one or more of the Funds and have the authority to make the investment decisions for the Funds to which they provide advisory services. In its capacity as the management company of the Funds, Gryphon Advisors has the authority to manage the business and affairs of the Funds.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Gryphon Advisors or its affiliates generally serve on the boards of directors (or other governing bodies) of such portfolio companies or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Gryphon Advisors’ advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “Memorandum”) and limited partnership or other operating agreements (each, a “Partnership Agreement” and, as applicable, together with any relevant Memorandum, the “Governing Documents”), and are further described below under “Methods of Analysis, Investment Strategies, and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents. The Funds or the Advisers enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms of, the relevant Governing Documents with respect to such investors, including by providing, among other things, different information rights, co-investment rights, liquidity or transfer rights, and other economic rights that may be material.

Additionally, as permitted by the relevant Governing Documents, the Advisers may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors or other persons, including other sponsors, market

participants, finders, consultants, and other service providers, the Adviser's personnel, and/or certain other persons associated with the Advisers and/or their affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer).

As of December 31, 2018, Gryphon managed \$3,928,524,869 in client assets on a discretionary basis. The principal owner of Gryphon Advisors is R. David Andrews.

FEES AND COMPENSATION

In general, the Advisers receive a management fee and a carried interest in connection with advisory services. The Advisers or their affiliates receive additional compensation in connection with management and other services performed (e.g., monitoring and other fees) for portfolio companies of the Funds and such additional compensation will offset, in whole or in part, the management fees otherwise payable to the Advisers in accordance with the relevant Governing Documents. Investors in the Funds also bear certain expenses.

Management Fees

Gryphon II, Gryphon III (other than Co-Invest Fund III), Gryphon 3.5, and Gryphon IV pay or will pay the applicable General Partner, semiannually, partially in advance and partially in arrears, a management fee (the "Management Fee") equal, on an annual basis, to 2.0% of aggregate unreturned invested capital for Gryphon II, Gryphon III, Gryphon 3.5, and Co-Invest Fund IV, 1.75% of aggregate unreturned invested capital for Gryphon Mezz and Gryphon Mezz II, and 2.0% of aggregate investor capital commitments ("Commitments") for Gryphon IV (other than Co-Invest Fund IV) and Gryphon V. Upon the earlier to occur of (i) the expiration of the investment period, (ii) the date when all Gryphon IV or Gryphon V Commitments have been invested or otherwise used to pay expenses of Gryphon IV or Gryphon V, (iii) the date on which management fees for a successor fund begin to accrue, and (iv) certain other events specified in the Governing Documents of Gryphon IV or Gryphon V, the Management Fee will be reduced to 2.0% of the aggregate amount of capital invested in investments that have not been disposed of, written off, or, permanently written down, as further described in the Governing Documents. The Management Fee will be payable throughout the life of the Funds, as described in the Governing Documents. Installments of the Management Fee payable for any period other than a full six-month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

The Gryphon II Management Fee will generally be reduced by all or a portion of the Funds' shares of directors' fees paid by portfolio companies to partners or employees of the Advisers, as further described below and in the applicable Fund's Governing Documents. Gryphon Advisors or another Gryphon entity will be permitted to retain ("Supplemental Fees") without offset against the Management Fee (i) in the case of Gryphon II, (a) 50% of management services or advisory consulting fees paid (but not directors' fees) by any portfolio company and (b) 50% of transactional fees, break-up fees and other similar payments paid to Gryphon Advisors or another Gryphon entity by any portfolio company, (ii) in the case of Gryphon III, Gryphon 3.5, and Gryphon IV,

either 50% or 20% of any fees paid to Gryphon Advisors or another Gryphon entity, based on the type of fee and whether certain hurdles specified in the applicable Governing Documents have been reached (subject, in the case of Gryphon III and Gryphon 3.5, to a cap), (iii) in the case of Gryphon V, 100% or 80% of any fees paid to Gryphon Advisors or another Gryphon entity, depending on the ultimate size of Gryphon V, and (iv) in the case of Gryphon Mezz and Gryphon Mezz II, 100% of any fees paid to Gryphon Advisors or another Gryphon entity. The remaining portion of Gryphon portfolio company-related fees not retained by Gryphon Advisors or another Gryphon entity will be credited as an offset against the Management Fee. To the extent that such an offset credit would reduce the Management Fee for a given six-month period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess remains unapplied upon dissolution of a Fund, each partner of such Fund will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Fund or any other entity or individual co-invests alongside a Fund in any portfolio company investment, any Supplemental Fees will be allocated among such Fund and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Accordingly, a Fund will, in most cases, only benefit with respect to its allocable portion of any such Supplemental Fee and not the portion of any fee allocable to any other investor in a portfolio company.

Gryphon Advisors and/or its affiliates generally have discretion over whether to charge such Supplemental Fees or other compensation to a portfolio company and, if so, the rate, timing, and/or amount of such Supplemental Fees or other compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Gryphon Advisors and/or its affiliates, on the other hand. A Fund will, in most cases, only benefit with respect to its allocable portion of any such Supplemental Fees and not the portion of any fee allocable to another entity, including, if applicable, any co-investment vehicle.

The Management Fee will commence as of the effective date based on aggregate Commitments, regardless of when a limited partner in a Fund (a “Limited Partner”) is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the applicable Fund and, in the applicable General Partner’s discretion, from drawdowns that will reduce unfunded Commitments.

As permitted under the applicable Partnership Agreement, each of GP III, GP 3.5, GP IV, or GP V generally may waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Partnership Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner’s behalf, and operates to reduce the amount of capital a General Partner would otherwise be required to contribute to the applicable Fund. The Limited Partners of Gryphon III, Gryphon 3.5, Gryphon IV, or Gryphon V may be required to make a *pro rata* contribution according to their respective Commitments to fund any capital contribution that would otherwise be required of the applicable General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by a General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that

Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to the applicable General Partner.

Carried Interest

Each General Partner is generally entitled to receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to an 8% annually compounded preferred return hurdle, other return parameters specified in the applicable Governing Documents, and the related general partner catch-up provision, in each case as more fully described in the applicable Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at the end of the life of a Fund if the respective General Partner has received excess cumulative distributions.

Other Information

The Advisers are generally permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, investment through a separate class of limited partnership interests of a given Fund, or through other Funds which co-invest alongside the Funds. For example, in instances where an Adviser professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the relevant Fund and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of Gryphon generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest, or other compensation received by the Advisers or their affiliates.

In addition to the Management Fee and carried interest payable to the Advisers, each Fund bears certain expenses. As set forth more fully in the applicable Governing Documents, each Fund bears all expenses relating to the Fund's activities, investments, and business to the extent not reimbursed by portfolio companies, including all costs, expenses, fees, liabilities, and obligations relating or attributable to: (i) activities with respect to the identifying, structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio companies and a Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction, or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants, and similar professionals in connection therewith and

any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful (“Broken Deal Expenses”); (ii) indebtedness of, or guarantees made by, a Fund, Gryphon Advisors, the applicable General Partner or any “affiliated partner” on behalf of a Fund (including any credit facility, letter of credit, or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination, and similar third-party fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder, and similar services; (v) brokerage, sale, custodial, depository, trustee, record keeping, account, and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with a Fund’s third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals, or pricing services), consulting (including consulting and retainer fees and other compensation paid to operating partners), tax, and other professional services; (vii) reverse breakup, termination, and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums, and other insurance and regulatory expenses; (ix) filing, title, transfer, registration, and other similar fees and expenses; (x) printing, communications, marketing, and publicity; (xi) the preparation, distribution, or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance, or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule, or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining, or upgrading any web portal, extranet tools, computer software, or other administrative or reporting tools (including subscription-based services) for the benefit of a Fund or the Limited Partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data, including information deemed confidential, as set forth in the applicable Governing Documents; (xiv) to the extent provided in the applicable Governing Documents, or otherwise approved by the relevant General Partner in its sole discretion, activities or proceedings of a Fund’s advisory board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, a Fund’s advisory board members, permitted observers, and other persons in attending or otherwise participating in meetings of a Fund’s advisory board); (xv) indemnification (including any fees, costs, and expenses incurred in connection with indemnifying any partner or other person pursuant to the relevant Governing Documents or otherwise and advancing fees, costs, and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the applicable Partnership Agreement), except as otherwise set forth in the applicable Partnership Agreement; (xvi) actual, threatened, or otherwise anticipated litigation, mediation, arbitration, or other dispute resolution process, including any judgment, other award, or settlement entered into in connection therewith; (xvii) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s), in each case to the extent incurred by a Fund, the applicable General Partner or any other affiliate of the applicable General Partner; (xviii) the Management Fee; (xix) except as otherwise determined by the applicable General Partner in its sole discretion, any fee, cost, expense, liability, or obligation relating to any alternative investment vehicle or its activities, business, portfolio

companies, or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with a Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up, and dissolution of any feeder vehicles related to a Fund to the extent not paid by the investors investing in such entities; (xx) the termination, liquidation, winding up, or dissolution of a Fund; (xxi) defaults by partners in the payment of any capital contributions; (xxii) amendments to, and waivers, consents, or approvals pursuant to, the constituent documents of a Fund, a parallel fund, the applicable General Partner, a parallel fund general partner, the ultimate general partner, Gryphon Advisors, and any alternative investment vehicle of a Fund or a parallel fund, including the preparation, distribution, and implementation thereof; (xxiii) (A) complying with any law or regulation related to the activities of a Fund (including regulatory expenses of the applicable General Partner incurred in connection with the operation of a Fund and legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation, or proceeding involving a Fund, including the amount of any judgments, settlements, or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the applicable Partnership Agreement; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated by the applicable Governing Documents; (xxvi) any taxes, fees, and other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit, investigation settlement, or review of such Fund (except to the extent that such Fund is reimbursed therefor by a reimbursing partner or such tax, fee, or charge is treated as having been distributed to the partners pursuant to the applicable Governing Documents); (xxvii) distributions to the partners and other expenses associated with the acquisition, holding, and disposition of a Fund's investments, including extraordinary expenses; (xxviii) compliance or regulatory matters related to portfolio companies, prospective portfolio companies, or actual or potential investments of a Fund, except as otherwise set forth in the applicable Governing Documents; (xxix) any travel, lodging, meals, or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxx) certain expenses relating to Gryphon's operating partners to the extent not reimbursed by portfolio companies or potential portfolio companies, as more fully described in the relevant Governing Documents; (xxxi) certain unreimbursed portfolio company expenses; (xxxii) any placement agent fees; and (xxxiii) any other fees, costs, expenses, liabilities, or obligations approved by a Fund's advisory board. The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Advisers and/or their affiliates and certain operating partners. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

In some cases, a co-investment vehicle may be formed to invest in portfolio companies alongside one or more Funds in connection with the consummation of a transaction, subject to the Advisers' related policies and the relevant Governing Documents and/or side letter(s). If a co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the applicable General Partner, ultimately is not consummated, no co-investment vehicle generally will have been formed, and all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund or Funds selected by the applicable General Partner as proposed investors for such proposed transaction, and not by any potential co-investors that were

to have participated in such transaction, to the extent set forth in the applicable Governing Documents. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

Operating Partners

Additionally, as described more fully herein and in the applicable Governing Documents of each Fund, under specific circumstances, certain Gryphon operating partners who are also employees of Gryphon Advisors provide certain value-added services to portfolio companies in which one or more Funds invest, whether on a one-time or more regular basis, that typically would otherwise be performed by third-party consultants or other service providers. Such operating partners generally provide services in relation to the identification, acquisition, holding, improvement, and disposition of portfolio companies, including services with respect to manufacturing, sales, marketing, finance & accounting, treasury, capital markets, technology, human resources, human capital, acquisition integration/rationalization, and/or other operations services, acquisition or other due diligence, or similar services. In certain circumstances, these services may also include serving in management or policy-making positions for portfolio companies. In connection with such services, Gryphon Advisors will be reimbursed for the compensation paid to such operating partners, which may be determined according to one or more methods, including, but not limited to, the value of the time (including an allocation for overhead and other fixed costs) of such operating partners. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. As set forth in the applicable Governing Documents, such reimbursed costs will not offset the applicable Management Fee and, as such, are not covered by the Management Fee. The use of operating partners subjects Gryphon Advisors to conflicts of interest, as discussed under “Methods of Analysis, Investment Strategies, and Risk of Loss—Conflicts of Interest,” below.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the General Partners are entitled to receive a carried interest allocation on certain profits in the Funds. Gryphon Advisors advises Co-Invest Fund III, which is not subject to Management Fees or a carried interest, and Co-Invest Fund IV, which is not subject to carried interest. While this practice could present a potential conflict of interest, Gryphon does not believe this arrangement poses a conflict of interest in practice because Co-Invest Fund III co-invests alongside the other Gryphon III Funds, and Co-Invest Fund IV co-invests alongside the other Gryphon IV Funds, in each case, at substantially the same time and on substantially the same terms as such other Funds and disposes of such investments in a similar manner. In addition, Gryphon has adopted certain allocation policies and procedures to address this potential conflict of interest in accordance with the applicable Governing Documents.

Additionally, to the extent that Gryphon Advisors personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

The existence of performance-based compensation has the potential to create an incentive for the Advisers to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although the relevant Adviser generally considers performance-based compensation to better align its interests with those of its investors.

TYPES OF CLIENTS

Gryphon Advisors provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations, or other corporations or business entities and may include, directly or indirectly, principals or other employees of Gryphon Advisors and its affiliates and members of their families, operating partners, or other service providers retained by Gryphon Advisors.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory, or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

Gryphon II had a minimum investment amount of \$5,000,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon III had a minimum investment amount of \$10,000,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon 3.5 had a minimum investment amount of \$2,500,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon IV had a minimum investment amount of \$2,500,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon Mezz had a minimum investment amount of \$500,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon V had a minimum investment amount of \$2,500,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Gryphon Mezz II had a minimum investment amount of \$500,000 for third-party investors. Such minimum investment amount was waived by the applicable General Partner in certain cases, but not less than \$100,000.

Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment. Generally, investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) either “qualified purchasers” or “knowledgeable employees” as such terms are defined under the Investment Company Act. The Advisers, in their sole discretion, may waive such minimum investment amounts and qualification requirements.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

General

Gryphon is a private investment firm focused on leveraged acquisitions, recapitalizations, and restructurings of, and, in the case of Gryphon Mezz and Gryphon Mezz II, mezzanine investments in, companies in the lower-end segment of the U.S. middle market. Gryphon Advisors’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments, and achieving dispositions for investments. Investments are predominantly of non-public companies, although investments in public companies are permitted.

Gryphon Advisors prioritizes investment opportunities where it can apply its professionals’ sector-specific knowledge and operational acumen in order to seek to build value for the Funds’ investors. Such investment opportunities typically involve the purchase of controlling interests in companies with some combination of the following characteristics:

- stable underlying industries and competitive dynamics;
- current or potential market leadership positions;
- management teams whose professionalism can be augmented through the addition of new executives and board directors;
- operational improvement opportunities; and
- potential for expanded product lines, service offerings, and/or geographic presence.

As described further below, Gryphon Advisors seeks to pursue attractive risk-adjusted returns for the Funds utilizing Gryphon’s: (i) proprietary business model, professional team, and firm culture; (ii) thematic and proactive sector strategies; (iii) value-added and fully-integrated operations resources group (the “Operations Resources Group”); and (iv) successful integration of add-on acquisitions. Gryphon Advisors generally focuses on investments that require equity capital of approximately \$50 million to \$150 million and follow-on investments of up to an additional \$25 million to \$50 million, although the required capital may be greater or less than such amounts.

There can be no assurance that Gryphon Advisors will achieve the investment objectives of any Fund and a loss of investment is possible.

Investment and Operating Strategy

Proprietary Business Model, Professional Team, & Firm Culture. Gryphon's 46 member professional team possesses a proprietary combination of operational experience, sector knowledge and specialization, and deal-making sophistication. Gryphon also benefits from a number of "in-house" functional experts in such valuable areas as organizational development and executive talent engagement, as well as due diligence, finance, capital markets, and marketing.

Thematic and Proactive Sector Strategies. The firm's primary origination strategy is proactive sourcing of investment opportunities within specific sectors, chosen after extensive up-front research by the 27 professionals on our Industry Specialty Group and Origination teams, and frequently pursued in exclusive partnership with proven large-market executives.

Value-Added and Fully-Integrated Operations Resources Group. Gryphon's Operations Resources Group has been strategically grown since 1999 to 15 professionals today, including six partners and nine other senior professionals. The numerous initiatives led by the Operations Resources Group within Gryphon's portfolio in concert with our investment professionals seek to drive meaningful equity value creation.

Successful Integration of Synergistic Add-on Acquisitions. Gryphon seeks to further build value through its origination, execution, and integration of synergistic add-on acquisitions.

Gryphon believes such acquisitions expand its companies' scale, product and service offerings, addressable customer base, and exit alternatives, while also creating opportunities to reduce costs and share best practices.

Risks of Investment

The Funds and their investors bear the risk of loss that the Advisers' investment strategy entails. Although the following risk factors are generally applicable to the Funds, investors should also refer to each Fund's Memorandum for risk factors specific to their Fund. The risks involved with the Advisers' investment strategy and an investment in a Fund include, but are not limited to:

Business Risks. A Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of the General Partners' principals' (the "Principals") prior investments is not necessarily indicative of a Fund's future results. While the General Partners intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which a Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

Concentration of Investments. Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring, and completing private equity and mezzanine transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, the Limited Partners will be required to bear Management Fees through such Fund during the commitment period based on the entire amount of the Limited Partners' Commitments and other expenses as set forth in the applicable Governing Documents.

Dynamic Investment Strategy. While each General Partner generally intends to seek attractive returns for a Fund primarily through making private equity investments, each General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process, and investment techniques as it determines appropriate. Each General Partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including any Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from such Fund's capital, including, without limitation, unfunded Commitments.

Leveraged Investments. A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a portfolio company also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase

the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment, or rising interest rates (which in recent years have been at or near historic lows) and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund invests generally will not be rated by a credit rating agency.

A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that the Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the applicable General Partner or any of its affiliates and may have a right of contribution, subrogation, or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the applicable Fund. As a result, such Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under such Fund's investment limitations, certain of which exclude bridge financing investments.

Subscription Lines. A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of such Fund's investments). Fund-level borrowing subjects Limited Partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the Limited Partners, Limited Partners may be obligated to contribute capital on an accelerated basis if such Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Limited Partner claim against a Fund would likely be subordinate to such Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as

legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's Limited Partners and the terms of the Governing Documents, it may be higher than the interest rate a Limited Partner could obtain individually. To the extent a particular Limited Partner's cost of capital is lower than the applicable Fund's cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner's overall individual financial returns even if it increases such Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the Limited Partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a Limited Partner's interest in a Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from Limited Partners to share with lenders. The relevant General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Limited Partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the relevant General Partner to fund investments and pay partnership 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 a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a Limited Partner 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 Limited Partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the relevant General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

Hedging Arrangements; Related Regulations. A General Partner may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures, or other exposures using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options, and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian, or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the applicable General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading

Commission (“CFTC”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Public Company Holdings. A Fund’s investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies’ executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Lack of Unilateral Control. Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their Limited Partners. Such third parties may be in a position to take action contrary to a Fund’s business, tax, or other interests, and such Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

Distressed Investments. A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and/or material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization, or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the applicable General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization, or liquidation of such company. The market prices of such investments are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such investments may be greater than those prevailing in other markets. It may take a number of years for the market price of such investments to reflect their intrinsic value. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the U.S. bankruptcy court’s power to disallow, reduce, subordinate, or disenfranchise particular claims.

Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization, or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities or other instruments with rights that are materially different than the original securities or other instruments in which such Fund invested.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Limited Partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Limited Partners. After a distribution of securities is made to the Limited Partners, many Limited Partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the applicable Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partners with respect to such investment.

Reliance on the General Partners and Portfolio Company Management. Control over the operation of each Fund will be vested with the General Partners, and each Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. Limited Partners generally have no right or power to take part in the management of the Funds, and, as a result, the investment performance of each Fund will depend on the actions of the applicable General Partner. In addition, certain changes in the applicable General Partner or circumstances relating to such General Partner may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities. Although each General Partner will monitor the performance of a Fund's investments, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although a Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with such Fund's objectives.

Projections. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the applicable General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents, or for other reasons). There is no assurance that a Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments.

Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost

opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

Non-U.S. Investments. A Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the partners with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or the partners. Additional risks of non-U.S. investments include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed and/or more restrictive laws, regulations, regulatory institutions, and judicial systems; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; and (vii) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing, and financial reporting standards, practices, and requirements comparable to those that apply to U.S. companies.

Director Liability. In certain circumstances, a Fund may receive the right to appoint one or more representatives to the board of directors of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

Uncertain Economic, Social, and Political Environment. Consumer, corporate, and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, or other sources of political, social, or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners, and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

Impact of Government Regulation, Reimbursement, and Reform. Certain industry segments in which the Funds intend to invest, including various segments of the healthcare and financial services industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change.

Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare and financial services industries, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund invests. By way of example, the healthcare and financial services industries have been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state, or local or non-U.S. legislative proposals related to such industry are introduced from time-to-time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which a Fund may invest.

Market Conditions. The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Funds' investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination, or other fees and expenses in the event such Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of such Fund to dispose of investments at prices that the applicable General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support its investment objective.

Certain Consultants. The General Partners, each Fund, and the portfolio companies may from time-to-time retain other companies and individuals ("Special Consultants"), which may be affiliates of the General Partners, employees of such affiliates, portfolio companies of other funds managed by a General Partner or its affiliates, third-party consultants (including consultants and external executives), "operating partners," "strategic partners," "executive partners," or "senior advisors." The Special Consultants may be engaged to provide services to, or in connection with, a Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement, and disposition of such portfolio companies, including operational aspects of such companies ("Services"). Fees and expenses associated with the Services may be paid and/or reimbursed by applicable portfolio companies and/or a Fund. Fees

and expenses associated with the Services may, at the discretion of the applicable General Partner taking into account the particular Services, include a profits or equity interest in a portfolio company or other incentive-based compensation to the Special Consultant, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultant, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services, and/or a percentage of cash flows from such company. Additionally, portfolio companies may provide opportunities for Special Consultants to invest in such portfolio company and reimburse costs and expenses incurred by Special Consultants. Special Consultants also may receive remuneration from the relevant General Partner and/or a Fund or their respective affiliates and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Such investment opportunities, reimbursements, and other compensation paid to a Special Consultant will not offset the Management Fee. Special Consultants may have a limited partnership or profit interest in a Fund, a General Partner, one or more other investment funds sponsored by a General Partner, or in an affiliate of a General Partner. Although the relevant General Partner intends to retain Special Consultants with a view to reducing costs to portfolio companies (and, ultimately, a Fund) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. In addition, the relevant General Partner intends to retain only such Special Consultants which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Conflicting Investor Interests. Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the applicable General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring, and disposing of investments, the applicable General Partner generally will consider the investment and tax objectives of a Fund and its partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

Unfunded Pension Liabilities of Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although each Fund intends to manage its investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own 80% or greater interest in such portfolio company. If a Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding Employee Retirement Income Security Act of 1974, as amended, control group liability as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Advisers or one of its service providers holding its financial or investor data, the Advisers, their affiliates, or the Funds may also be at risk of loss.

Valuation of Assets. Valuation of certain of each Fund's investments involves uncertainties and judgmental determinations. There is not expected to be an actively traded market for most of the securities owned by each Fund. When estimating fair value, the applicable General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts, and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Accordingly, certain investments may be difficult to value and may be subject to varying interpretations of value.

The exercise of discretion in valuation by the applicable General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees. The applicable General Partner may rely on the advice of brokers, custodians, accountants, appraisers, administrators, independent consultants, professional advisors, or pricing services in connection with such determination of the value of a Fund's assets and liabilities.

Due to a wide variety of market factors and the nature of certain investments to be held by a Fund, there is no guarantee that the value determined by the applicable General Partner will represent the value that will be realized by a Fund on the eventual disposition of the investment. Moreover, the valuations to be performed by the applicable General Partner may be inherently different from the valuation of a Fund's investments in the event such Fund were forced to liquidate all or a significant portion of its investments, for which a liquidation valuation could be materially lower.

Co-Investments. A General Partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons, in each case on terms to be determined by such General Partner in its sole discretion. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the applicable General Partner in its sole discretion, may not be in the best interests of the Fund

or any individual Limited Partner. In exercising its sole discretion in connection with such co-investment opportunities, the applicable General Partner may consider some or all of a wide range of factors, which may include the likelihood that an investor may invest in a future fund sponsored by such General Partner or its affiliates. A Fund may co-invest with third parties through partnerships, joint ventures, or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take action contrary to the investment objectives of such Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Material Non-Public Information; Other Regulatory Restrictions. As a result of the operations of the Advisers and their affiliates, the Advisers frequently comes into possession of confidential or material, non-public information. Therefore, the Advisers and their affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, the Funds may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Advisers' internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Similarly, anti-money laundering, anti-boycott, and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Advisers or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations, and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC.

Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice, and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of the Advisers' inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by the Advisers or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Conflicts of Interest

Gryphon Advisors and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management, and other services to the Funds and portfolio companies. The Advisers will devote such time, personnel, and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Advisers conducting their activities, the interests of a Fund may conflict with the interests of the Advisers, one or more other Funds, portfolio companies, or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Gryphon Advisors will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the investment period of a given Fund, the Advisers will pursue all appropriate investment opportunities exclusively through the currently active Fund, subject to certain limited exceptions set forth in the applicable Fund's Governing Documents and the Advisers' allocation policies. However, the Advisers currently manage, and expect in the future to manage, several other investment funds and investments similar to those in which the Funds will be investing, and may direct certain relevant investment opportunities to those investment funds and investments. The Advisers' investment staff will continue to manage and monitor such investment funds and investments. The Advisers' significant investment in the Funds, as well as the Advisers' interest in the carried interest, operate to align, to some extent, the interest of the Advisers with the interest of the Limited Partners, although the Advisers have economic interests in such other investment funds and investments as well and receive Management Fees and carried interests relating to these interests. Such other investment funds and investments that the Advisers may control or manage may potentially compete with the Funds or companies acquired by the Funds. Following the investment period of a particular Fund, the Advisers may and likely will focus its investment activities on other opportunities and areas unrelated to a Fund's investments.

From time to time, the Advisers will be presented with investment opportunities that would be suitable for more than one of the Funds and other investment vehicles operated by the Advisers or their affiliates. In determining which investment vehicles should participate in such investment opportunities, the Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of the Advisers in a portfolio company may also raise the risk of using assets of a client of the Advisers to support positions taken by other clients of the Advisers.

The Advisers must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. The Advisers generally assess whether an investment opportunity is appropriate for a particular Fund based on the such Fund's Governing Documents, as well as factors including, but not limited to: investment restrictions and objectives (including those set forth in the relevant Governing Documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle, and structure. For example, a newly organized Fund generally will seek to

purchase a disproportionate amount of investments until it is substantially invested. The Advisers will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with the Advisers' obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, the Advisers will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the relevant Governing Documents, side letters and the Advisers' procedures regarding allocation. The Advisers' procedures permit it to take into consideration a variety of factors in making such determinations. Decisions regarding whether and to whom to offer co-investment opportunities may be made by the Advisers and their related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other investors in a Fund.

When and to the extent that employees and related persons of the Advisers and their affiliates make capital investments in or alongside certain Funds, the Advisers and their affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Advisers' allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While the Advisers will allocate investment opportunities in a manner that they believe in good faith is fair and equitable to their clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Advisers may be subject, discussed herein, did not exist.

In certain cases, the Advisers will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, the Advisers will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Investment opportunities may be appropriate for multiple Funds at the same, different, or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to

enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company.

In addition, certain of the Funds' investments may be made in the same portfolio companies or issuers as another investment fund managed or sponsored by a General Partner, Gryphon Advisors, or one of their respective affiliates (such fund, an "Other Gryphon Fund"). These and other situations will involve potential conflicts of interest. Any investment by a Fund in an entity in which an Other Gryphon Fund has a pre-existing investment (or vice versa) could be viewed, especially in hindsight, to have been made based on a non-arms-length valuation. Similarly, Other Gryphon Funds may later invest in entities in which a Fund has invested, which may have an effect (either positive or negative) on the market price of such Fund's investments. In circumstances in which a Fund makes an investment in an entity in which an Other Gryphon Fund has a pre-existing investment, such Other Gryphon Fund expects to make business decisions relating to such investment (such as, for example, financing or hedging interest rate, currency, or credit risk) independently of the analogous decisions made with respect to such investment by the applicable Fund. This may result in situations where such Fund chooses not to hedge certain risks that an Other Gryphon Fund does hedge (or vice versa), or the possibility that such Fund is exposed to risks of financing (for example, possible margin calls) on an investment when the applicable Other Gryphon Fund is not (or vice versa). Although Gryphon Advisors will employ procedures to address such conflicts, there can be no assurance that such conflicts will be resolved in a manner that is most favorable to a Fund and its Limited Partners. Subject to the terms of the relevant Governing Documents, if a company as to which a Fund and an Other Gryphon Fund each hold an interest becomes financially troubled, the relevant General Partner, in conjunction with the general partner of the relevant Other Gryphon Fund, will make its decisions regarding the appropriate action to be taken with respect to that company, including the terms of any financial restructuring or work-out, in the collective best interests of a Fund and such Other Gryphon Fund.

Relatedly, and with respect to Gryphon Mezz and Gryphon Mezz II (collectively, the "Gryphon Mezz Funds"), an affiliate of each of GP Mezz and GP Mezz II manages a Gryphon Mezz Fund. In the future, other affiliates of GP Mezz and/or GP Mezz II may manage other investment funds that will focus on mezzanine investing (such investment funds, together with their parallel investing entities and alternative investment vehicles, the "Mezzanine Funds"). The Gryphon Mezz Funds are expected to hold interests in portfolio companies that are of a different class or type than the class or type of interests held by the Mezzanine Funds. To the extent that a Mezzanine Fund invests in a debt instrument of a portfolio company in which a Gryphon Mezz Fund holds equity securities, GP Mezz or GP Mezz II, as applicable, expects to be subject to conflicts of interest in determining the terms of such debt instruments and in managing a Gryphon Mezz Fund's and such Mezzanine Fund's investments in such portfolio company on a going-forward basis. Conflicts may arise between a Gryphon Mezz Fund and the Mezzanine Funds in negotiating the price of the debt securities or other instruments, the characterization of such debt securities or other instruments, the terms of inter-creditor agreements, the interest rate or stated dividend yield of such debt securities or other instruments, the nature of the covenants running in favor of lenders, and the other terms and conditions of investment or in addressing subsequent amendments or waivers.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, the Advisers will allocate fees and expenses in a manner that they believe in good faith is fair and equitable to their clients under the circumstances and considering such factors as they deem relevant, but in their sole discretion. In exercising such discretion, the Advisers may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual, or similar restrictions, expense allocation decisions will generally be made by the Advisers or their affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, an Adviser and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to an Adviser and/or its affiliates. Unless such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to such Adviser.

Additionally, a portfolio company typically will reimburse an Adviser or service provider retained at the Adviser's discretion for expenses (including, without limitation, travel expenses) incurred by the Adviser or such service provider in connection with its performance of services for such portfolio company. This subjects such Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. An Adviser determines the amount of these reimbursements for such services in its own discretion, subject to internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to such Adviser or such service providers generally is subject to: agreements with or review by sellers, buyers, and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

Each Adviser generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of such Fund) or (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. This discretion subjects each Adviser to conflicts of interest, because although each Adviser selects service providers that it believes are aligned with its operational strategies and will enhance

portfolio company performance and, relatedly, returns of the relevant Fund, it may have an incentive to recommend the related or other person (including a Limited Partner) because of its financial or other business interest. There is a possibility that an Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen, and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or the Advisers), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not an Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Each Adviser, its affiliates, and equity-holders, and officers, principals, and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to a Fund. In addition, officers, principals and employees may, although they have not historically and do not currently intend to, buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the applicable Governing Documents and any policies and procedures set forth in the Code (as defined below). The investment policies, fee arrangements, and other circumstances of these investments may vary from those of any Fund.

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

In addition, as described above, Gryphon Advisors will be reimbursed for the compensation paid to certain Gryphon operating partners who may also be employees of Gryphon Advisors or to other third-party consultants (including consultants introduced or arranged by an Adviser and/or its affiliates that regularly provide services to one or more portfolio companies), and such compensation does not offset the Management Fee as described herein. As employees of Gryphon Advisors, Gryphon operating partners make use of Gryphon Advisors' resources. Although the use of operating partners and the allocation of compensation paid to them by the Advisers, their affiliates, and/or the portfolio companies may subject the Advisers and/or their affiliates to potential conflicts of interest, the Advisers believe that such potential conflicts may be reduced if, among other things, the quality of the services of the operating partner makes a greater contribution to the success of the portfolio company. Although the Advisers seek to retain operating partners with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. Gryphon Advisors also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Gryphon Advisors believes will align such persons' interests with those of the Limited Partners.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so. Since the General Partners are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, the Advisers could have a conflict of

interest in connection with approving transactions and setting such compensation. This conflict may be mitigated to an extent by offsetting the Management Fee by a specified percentage of such Supplemental Fees and a General Partner's interest in the carried interest of a Fund.

The Advisers may enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects Gryphon Advisors and/or its affiliates to potential conflicts of interest. Gryphon Advisors attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Gryphon Advisors' advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds, and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Advisers will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Advisers consult and receive consent to conflicts from an advisory committee consisting of Limited Partners of the relevant Fund and such other investment vehicles.

DISCIPLINARY INFORMATION

Gryphon Advisors and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As described under "Advisory Business" above, Gryphon Advisors is affiliated with the General Partners, which are registered with the SEC under the Advisers Act pursuant to Gryphon Advisors' registration in accordance with SEC guidance. These entities operate as a single advisory business together with Gryphon Advisors and serve as general partners of the Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants, or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

The Advisers have adopted the Gryphon Code of Ethics and Securities Trading Policy (the "Code"), which sets forth standards of conduct that are expected of Gryphon principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Gryphon personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of an initial public offering or a limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to James R. Gillette, the Gryphon Chief Compliance Officer, at (415) 217-7400. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material non-public or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Gryphon personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in the Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

Additionally, a Fund may invest together with other Funds advised by an Adviser or its affiliate in the manner set forth in the applicable Governing Documents. The Advisers will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with their fiduciary obligations, the underlying documents for the relevant Fund, and the Gryphon investment allocation policy.

Gryphon Advisors and its affiliates, principals, and employees may carry on investment activities for their own account and for family members, friends, or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

Gryphon Advisors focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Gryphon Advisors may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Gryphon Advisors does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Gryphon Advisors sells publicly-traded securities for the Funds, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by

Gryphon Advisors. In such event, Gryphon Advisors will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Gryphon Advisors may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Gryphon generally does not make use of such services at the current time and has not made use of such services since its inception. As a general matter, research provided by these brokers would be used to service all of the Advisers’ private investment vehicles. However, each and every research service may not be used for the benefit of each and every Fund managed by Gryphon, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that Gryphon allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds’ interest in receiving most favorable execution.

Gryphon does not anticipate engaging in significant public securities transactions; however, to the extent that Gryphon engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, Gryphon may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Gryphon may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of Gryphon is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid, and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Gryphon closely monitors companies in which the Funds invest, and the Gryphon Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Gryphon generally will provide to its Limited Partners (i) audited financial statements annually commencing with the first year in which a Fund makes an investment; (ii) unaudited summary financial information for the first three quarters of each fiscal year; (iii) annual tax information necessary for each partner's tax returns; (iv) descriptive investment information for each portfolio company semi-annually; and (v) valuations of each portfolio company quarterly.

CLIENT REFERRALS AND OTHER COMPENSATION

Gryphon and/or its affiliates may provide certain business or consulting services to companies in the Funds' portfolio and receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases (e.g., reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees (or reimbursements) will be in addition to Management Fees. See "Fees and Compensation."

From time to time, Gryphon may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a Limited Partner in a Fund.

CUSTODY

Gryphon maintains custody of the Funds' assets held in the name of one or more Funds with the following qualified custodians:

- JP Morgan Private Bank, 560 Mission Street, San Francisco, California 94105; and
- First Republic Trust Company, 111 Pine Street, San Francisco, California 94111.

INVESTMENT DISCRETION

Gryphon has discretionary authority to manage investments on behalf of the Funds. As a general policy, Gryphon does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Gryphon may enter into "side letter" arrangements with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory, or other similar reasons. Gryphon assumes this

discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the Limited Partners of the Funds.

VOTING CLIENT SECURITIES

Gryphon has adopted the Gryphon Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how it will vote proxies, as applicable, for the Funds’ portfolio investments. The Proxy Policy seeks to ensure that Gryphon votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Gryphon generally believes its interests are aligned with those of the Funds’ investors, for example, through the principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Gryphon may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds’ advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds’ advisory board may approve Gryphon’s vote in a particular solicitation. Gryphon does not consider service on portfolio company boards by Gryphon personnel or Gryphon’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Gryphon when voting proxies on behalf of the Funds. Clients or investors that would like a copy of the Gryphon’s complete Proxy Policy or information regarding how Gryphon voted proxies for particular portfolio companies may contact James R. Gillette, the Gryphon Chief Compliance Officer, at (415) 217-7400, and it will be provided at no charge.

FINANCIAL INFORMATION

Gryphon Advisors does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.