

# The Gores Group, LLC Part 2A of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of The Gores Group, LLC. If you have any questions about the contents of this brochure, please contact us at (310) 209-3010. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration of an investment adviser does not imply any level of skill or training.

Additional information about The Gores Group, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This brochure dated March 25, 2019 (“Brochure”) does not contain any material changes from the previous brochure dated March 27, 2018, though it does contain certain routine annual updates regarding fees and expenses, risk factors, and conflicts of interest.

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

The Gores Group, LLC (“Gores”), a Delaware Limited Liability Company was founded in 1987 by its Chairman, Alec Gores. Gores registered with the SEC as an investment adviser in 2012. Gores serves, directly or indirectly, as the investment manager to the investment funds described herein, and affiliates of Gores serve as the general partner of such investment funds (each a “General Partner” and, collectively, “General Partners”). Gores and any affiliated general partners are referred to in this Brochure as “Gores,” “we” or “us.”

Gores is owned and controlled by Alec Gores. Gores manages private investment funds that focus on making private equity investments (the “Partnerships”). For purposes of this Brochure, Gores considers its clients to be the investment partnerships managed by it; the underlying investors in such investment partnerships are referred to in this Brochure as “investors” or “Limited Partners.”

As of December 31, 2018, we had approximately \$882 million of assets under management on a discretionary basis. Our investment objective is to generate significant capital appreciation for investors. We will seek to achieve this objective primarily by making private investments in equity, equity-oriented, or debt securities that offer equity-like returns of underperforming companies. We consider a broad range of transactions, including without limitation management and leveraged buyouts, recapitalizations, privately negotiated control and minority investments, consolidations and roll-ups, spin-offs and carve-outs, and growth equity investments. Our advisory services consist of evaluating investment opportunities, structuring, negotiating and making investments, managing and monitoring the performance of portfolio investments of the existing and future Partnerships and disposing of such investments.

We currently provide investment advisory services to various private equity funds and their affiliated parallel investment vehicles. Certain investors will also receive opportunities to co-invest in portfolio companies of particular Partnerships. The decision to open a specific investment to co-investments is in our sole discretion.

We manage the assets of each Partnership in accordance with its particular investment objective and mandate and the terms of the applicable governing documents of each Partnership, including such Partnership’s limited partnership agreement (or analogous organizational document), or separate investment and advisory, investment management or portfolio management agreements (each, an “Advisory Agreement”). Further details concerning each Partnership’s investment objective and mandate are set forth in the offering memorandum applicable to such Partnership (collectively, with any applicable Advisory Agreement, organizational document, side letter and subscription document, a Partnership’s “Governing Documents”). When providing these services to the Partnerships, we direct and manage the investment of each Partnership’s assets, and provide reports to investors, as described below under “Review of Accounts.” Investment advice is provided directly to each Partnership subject to the discretion and control of the applicable General Partner, and not individually to the investors.

The primary investment periods of all of the current Partnerships have expired as of the date of this brochure. Although none of the current Partnerships may invest in any new portfolio companies, they may invest follow-on capital in existing portfolio companies. Accordingly, our focus with respect to the current Partnerships is on maximizing the value of the existing portfolio companies, as opposed to sourcing new investments. In the future, we may develop alternative asset vehicles that provide long

term capital appreciation, particularly where the timing of liquidation of investments is not constrained by a limited private fund term of existence.

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

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

##### **Management Fees**

We receive compensation in the form of management fees charged to the applicable Partnership based on a percentage of the total capital commitments to such Partnership (“Management Fees”). Management Fees may be reduced during the life of a Partnership. Management Fees paid by Partnership may also be reduced by other fees or compensation received by Gores or its affiliates that relate to such Partnership’s activities and investments, or by certain excess organizational or other expenses borne by such Partnership, as described in more detail below. Management Fees paid by a Partnership are indirectly borne by investors in such Partnership. Management Fees are deducted directly from the account of each Partnership quarterly in advance.

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

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

The Management Fees paid by a Partnership will generally be reduced by: (1) 100% of the amount of fees paid by such Partnership to persons acting as a placement agent in connection with the offer and sale of interests in such Partnership to certain potential investors, resulting in Gores bearing the full economic burden of any such placement agent fees, (2) 100% of fees incurred by Gores in connection with the organization of such Partnership that exceed a limit specified in such Partnership’s Governing Documents and/or (3) a percentage of certain Other Fees (as defined below) received by Gores or its affiliates as set

forth in the Governing Documents of the applicable Partnership. To the extent an Other Fee relates to more than one Partnership, Gores shall allocate the resulting Management Fee reduction among the applicable Partnership(s) in proportion to their interest (or prospective interest) in the portfolio company.

Due to reduced Management Fees and/or the timing of receipt of compensation subject to offsets, Partnership investors may not receive the full benefit of reductions or offsets (e.g., during periods when Gores no longer receives or receives reduced Management Fees and receives compensation that would otherwise be subject to offset), Gores is entitled to retain such compensation without remitting any such amounts to the applicable partnership or its investments.

### Other Fees

#### *Fees Payable by Portfolio Companies*

Gores performs transaction-related, financial advisory and other services for, and receives fees from such actual or prospective portfolio companies or other investment vehicles of the Partnerships, including fees in connection with structuring investments in such portfolio companies, as well as acquisitions, public offerings, divestments, dispositions, financing and similar transactions (“Transaction Fees”).

Gores also receives “Monitoring Fees” pursuant to monitoring agreements with portfolio companies of the Partnerships governing the advice, consultation and other similar ongoing services provided by Gores to such portfolio companies. The terms of a monitoring agreement may include (among other things) annual automatic renewals and the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric).

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

Generally, under the terms of the applicable Governing Documents, for purposes of calculating any Management Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by Gores in connection with consummated or unconsummated transactions or in connection with generating any such fees. These Other Fees will at times be substantial. Although Other Fees are in addition to the Management Fees, Gores will in some circumstances reduce the amount of Management Fees paid by the applicable Partnership in connection with the receipt of such Other Fees in accordance with the Governing Documents of the applicable Partnership.

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

specific source of such fees and any expense reimbursements are not itemized unless requested by an investor.

From time to time, Gores agrees to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third-party ("Third Party Fee"), such as a consultant, advisor, finder, broker and/or investment bank. In such event, the Third Party Fee is not a fee that Gores is entitled to retain and therefore, Gores is not required under the terms of the applicable Governing Documents to share such Third Party Fee with the Partnerships.

In addition, Gores or its managing directors or employees, on behalf of Gores, may receive stock of a portfolio company as an Other Fee due to service of a managing director or employee of Gores on the board of such portfolio company. In the event of such a distribution or receipt of stock, the recipients, or Gores, with respect to stock received as an Other Fee, may act in their own interest with respect to the share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as such recipient, or Gores, shall determine. The ability of such recipients, or Gores, with respect to stock received as an Other Fee, to act in their own interest with respect to such distributed shares creates a conflict of interest between Gores, as an adviser to the Partnership, and its affiliates, on the one hand, and the Partnership on the other hand.

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

#### *Payments Made to Third Parties*

Gores and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of Gores and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, the amounts of such fees or other compensation (including equity interests in the Partnerships' portfolio companies) received by such persons are generally retained by such persons and will not be deemed paid to or received by Gores and its affiliates and such amounts will not be subject to the sharing arrangements described above and will not benefit the relevant Partnership or its investors. Payments made by portfolio companies or Partnerships to our affiliated operating partner, Glendon Partners, Inc., also known as Gores Operations Group ("Gores Operations"), as described in "Methods of Analysis, Investment Strategies and Risk of Loss" below, will not be deemed paid to or received by Gores and its affiliates and such amounts will not be subject to the sharing arrangements described above and will not benefit the relevant Partnership or its investors. See "Item 11. Code of Ethics, Participation or Interest in Client Transactions, Personal Trading and Conflicts—Providers of Operations Support" below.

#### *Expense Reimbursements*

Additionally, a portfolio company will typically reimburse Gores for expenses including, without limitation, meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio entity management, customers, clients, borrowers, brokers and service providers), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting and

relocation expenses), indemnification expenses, certain legal expenses and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses, incurred by Gores in connection with its performance of services for such portfolio company. Such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Governing Documents, and such reimbursements do not reduce the Management Fee. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

In addition, investors indirectly bear certain operating and organizational expenses of the Partnerships. These fees and expenses vary, but typically include expenses such as legal and accounting fees, registration expenses, the cost of directors’ and officers’ liability insurance, litigation or broken deal expenses and, in the case of organizational expenses, travel-related costs incurred for purposes of marketing the Partnerships. For more information regarding fees and expenses borne by a Partnership, refer to the Governing Documents of the relevant Partnership. As used throughout this brochure, “travel and “travel-related” expenses shall be deemed to include, without limitation, commercial and non-commercial transportation costs (including first class or business class travel and private car travel), lodging and accommodations.

#### *Expenses*

##### *Gores Expenses*

To the extent provided in the Governing Documents of the Partnerships, Gores will bear certain expenses and costs associated with the performance of its services, including expenses on account of office space, utilities, office equipment, travel, compensation and expenses of its partners, officers and employees (other than the Incentive Allocation described in Item 6 below) and other normal and routine administrative expenses relating to the services and facilities provided by Gores to the Partnerships.

##### *Partnership Expenses*

Consistent with the Governing Documents of the Partnerships, each Partnership will bear all other expenses relating to it to the extent not borne by its portfolio companies, including legal, accounting, audit, investment banking, consulting (including, but not limited to, consulting fees incurred by the applicable Partnership for the benefit of its portfolio company), brokerage, sale, fees paid to third-party valuation agents for valuations, appraisals or pricing services, administration (including maintaining the books and records of a Partnership or external costs for a third-party administrator to maintain and oversee a Partnership’s books and records), research and other information (including data and information service subscriptions, related systems and services from data providers and data management software), third-party diligence service providers, subject and industry-matter experts, brokerage, finders’, custody, transfer, registration, advisory board expenses (including set-up costs and dining), information technology system expenses (including the costs of developing, implementing and maintaining computer software and hardware and other technological systems for the benefit of a Partnership, its investors, or a portfolio investment or potential investment), bridge financing expenses, financing, commitment, origination and similar fees and expenses, insurance premiums of any general partner liability, errors and omissions, or other insurance and extraordinary administrative or operating expenses, including, without limitation, all litigation and indemnification expenses), including insurance of which Gores and its affiliates are beneficiaries, interest, taxes, Operations Expenses (as defined in Item 11 below), risk management assessment expenses, fees, costs and expenses related to the organization or

maintenance of any intermediary entity used to acquire, hold or dispose of an investment or to otherwise facilitate a Partnership's investment activities, out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Partnership or Gores that are attributable to the operation of such Partnership or requested by one or more investors in a Partnership, the costs associated with any amendments, modification, revisions or restatements to the Governing Documents of a Partnership, the costs and expenses of hosting annual meetings of the Partnership's investors (including set-up costs, dining, travel and travel-related and other expenses), such Partnership's allocable share of expenses and fees generated in the course of evaluating potential investments, including investments which are not consummated, including legal expenses incurred in connection with claims or disputes related to unconsummated investments (including expenses that would have been borne by co-investment vehicles), expenses associated with a Partnership's compliance with applicable laws and regulations, such Partnership's allocable share of expenses and fees incurred in the course of making investments, expenses of liquidating a Partnership, and other similar fees and expenses, as well as any other fees or expenses incurred by Gores or such Partnership in connection with such Partnership's operations that are not specifically set forth above as being paid by Gores.

Certain Partnerships also bear their allocable portion of the compensation (including salary, bonus and benefits), expenses and overhead (including rent, property taxes and utilities allocable to the workspaces) attributable to certain employees of Gores and its affiliates (including Gores Operations), including in-house accountants, administrators, legal, tax, compliance, leveraged purchasing, ESG (environmental, social and governance) and other professionals whose functions may also include the preparation of financial statements, investor reports (including the costs associated with providing access to a database or other internet forum for distribution of such reports), tax returns, the administration of assets and expenses of the Partnerships (including with respect to co-investment vehicles and feeder funds) and legal and regulatory compliance with applicable laws and regulations. Such allocations require judgments as to methodology that Gores makes in good faith but in its sole discretion. These allocation methodologies may include: requiring personnel to periodically record and allocate their time with respect to the Partnerships and/or the portfolio companies; Gores approximating the portion of time a person has spent with respect to a particular Partnership and/or portfolio company; the assessment of an overall dollar amount (for instance, based on a fixed fee) that Gores believes represents a fair recoupment of expenses and a market rate for such services; and any other similar methodology determined by Gores to be appropriate under the circumstances. For additional information regarding the expenses of Gores Operations, please see Item 10 below.

In addition, Gores, from time to time, engages one or more similar service providers to perform certain functions in relation to the Partnership, which services may include tax elections and filings and certain legal functions. In certain instances, employees of such service providers dedicate substantially all of their time to the Partnerships or spend all or a significant majority of their business time at Gores' offices. These expenses related to such service provider employees are borne by the Partnerships.

From time to time, the general partner of a Partnership may create certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the Governing Documents of the Partnership, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

#### *Deal Specific Co-Investment Vehicle Expenses*



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

If a proposed transaction is not consummated, the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would generally be borne by the Partnership or Partnerships selected by Gores as proposed investors for such proposed transaction. Furthermore, if a proposed transaction is not consummated and a co-investment vehicle has been formed for the purpose of making an investment in such proposed transaction (or co-investors have otherwise committed to invest in the proposed transactions), some or all of the Dead Deal Costs may be borne solely by the Partnership or Partnership selected by Gores as proposed investors for such proposed transaction, but not to the co-investment vehicle or other co-investor to which the co-investment opportunity was offered. Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction.

Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to Operations Support Providers (as defined in Item 11 below) and other third parties), any travel and travel-related and accommodation expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investments, any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

#### *Allocation of Expenses*

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

The appropriate allocation between Partnerships, Gores Investors and individuals and entities that are not investors in any Partnerships (“Third Parties”) of Dead Deal Costs, will be determined by Gores and its affiliates in their good faith discretion, consistent with the Governing Documents of the Partnerships, as applicable. If multiple Partnerships evaluate a potential investment that is not consummated, we generally allocate fees and expenses generated in the course of evaluating such investment among such Partnerships based on the anticipated investment of each Partnership. Such expenses typically are not

allocated to co-investment vehicles organized to participate alongside a Partnership in a specific investment. There are occasions when one Partnership (the “Payor Partnership”) pays an expense common to multiple funds (the “Allocated Partnerships”) (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Partnership will reimburse the Payor Partnership for its share (which will not always be pro rata) of such expense, without interest, promptly after the payment is made by the Payor Partnership. While highly unlikely, it is possible that one of the Allocated Partnerships could default on its obligation to reimburse the Payor Partnership.

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

Gores, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees. Certain fees and expenses associated with such investment opportunities will be allocated to the applicable Partnership(s), consistent with the allocation process described above.

#### *Incentive Allocation Payments*

Please see Item 6 below regarding “Incentive Allocations” that each Partnership pays.

#### *Brokerage Fees*

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

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

The General Partner (which is controlled by Gores) of each Partnership receives performance-based compensation in the form of a carried interest participation in such Partnership (the “Incentive Allocation”). These compensation arrangements, which vary for each Partnership we manage, are described in detail in the Governing Documents applicable to each such Partnership. Incentive Allocations are waived for certain Partnerships in which employees of Gores or Gores Operations invest. See “Fees and Compensation” above. Each General Partner of a Partnership is a related person of Gores. Incentive Allocations paid by a Partnership are indirectly borne by investors in such Partnership.

An adviser charging performance based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser has an incentive to direct the best investment ideas to, or to allocate or sequence

trades in favor of, the account that pays a performance fee. The payment of performance based fees at varying rates (including varying effective rates based on the past performance of a partnership) creates an incentive for an adviser to disproportionately allocate time, services or functions to partnerships paying performance based fees or partnerships paying performance based fees at a higher rate, or to allocate investment opportunities to such partnerships.

Also, the fact that the we are compensated based on the profits of the Partnerships we manage creates an incentive for Gores to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation.

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

We currently provide investment supervisory services to the Partnerships, as described under “Advisory Business” above. Investment advice is provided directly to the Partnerships (subject to the direction and control of the General Partner of each such Partnership, if applicable) and not individually to investors in such Partnership. Each Partnership operates as a private pooled investment vehicle. The minimum capital commitment for a Limited Partner of a Partnership is outlined in such Partnership’s Governing Documents. The General Partner of each Partnership has the ability, in its sole discretion, to permit investments below the minimum amounts set forth in the Governing Documents of such Partnership.

In the applicable subscription documents, investors are required to make certain representations when investing in a Partnership. Each investor is furnished with a copy of the Governing Documents for the applicable Partnership.

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

#### **Investment Strategy and Analysis**

Gores’ investment strategy is consistent across industries and is focused primarily on control-oriented buyout investments of mature, under-performing businesses and/or where Gores’ operations expertise can unlock incremental value. We seek to invest in companies with a defensible core business of mature products and services, sustainable revenues and established customer relationships that are experiencing operational challenges. Gores has practiced and refined this investment strategy throughout its history and has demonstrated its ability to generate attractive equity returns, return its invested capital and minimize downside risk.

Gores targets companies primarily in technology, telecommunications, industrial, business services, media, healthcare, and security sectors in the U.S. and Europe. Gores has historically focused on these industries and believes these sectors are attractive due to (i) the consistent supply of investment opportunities across market cycles and (ii) the limited competition from strategic and financial buyers for the types of operationally challenged businesses that we target.

Gores targets acquisitions that provide us with the opportunity to use our operating skills to create long-term value. Such target businesses generally exhibit some or all of the following characteristics:

- Financial/balance sheet distress;
- Unfocused and/or poorly executed business strategies;

- Established customer base with sustainable revenue;
- Mature products or services with high switching costs for customers; and
- Under-utilized assets, including working capital, real estate, intellectual property, and brand.

Gores invests in a substantial number of operations-intensive turnarounds and complex carve-out transactions. Thus, when reviewing prospective investments, we are focused on companies that have a path to profitability that can be achieved in a short and foreseeable period of time through the implementation and execution of the agreed-upon business plan.

Gores is an active investor and closely monitors all aspects of each portfolio company's operations. After making an investment, we drive the implementation of operating plans and closely manage the operating performance of all portfolio companies. Our goal is to effect a transformation of the portfolio company, where appropriate, very quickly. Our control-oriented investment strategy emphasizes a "hands-on," partnership approach with senior management to realize full operational value. A control-oriented strategy is important given Gores' proactive investment philosophy as it enables us to make any changes at portfolio companies that we deem necessary. Although each portfolio company is managed autonomously, the management teams report to the boards of directors which consist of Gores' principals and Gores Operations' principals. When it consummates a transaction, Gores works closely with portfolio company management to ensure that the agreed-upon operating plan, which formed the basis of the initial investment decision, is being implemented.

When performing due diligence in connection with potential transactions and following an acquisition during the course of each Partnership's ownership of a portfolio company, we utilize the services of Gores Operations. While Gores Operations is controlled by Gores and as a result of this relationship Gores may benefit from certain economies of scale (e.g., sharing of resources and infrastructure), Gores does not have an economic interest in Gores Operations. Gores Operations consists of seasoned professionals, based in the U.S., who have substantial experience in major corporate disciplines, including without limitation, accounting, finance, information technology, legal, marketing, operations, sales, supply-chain management, insurance/risk management and tax. Gores Operations professionals generally have responsibility for developing the operational blueprint for a new portfolio company, implementing the transformation initiatives and working alongside management throughout the ownership period to maximize the value of the business. On occasion, members of Gores Operations will fill roles in the management of the portfolio company and certain expenses of Gores Operations are paid by such portfolio company. Payments made by the portfolio companies or Partnerships to Gores Operations are not subject to offset of Management Fees. The use of Gores Operations allows Gores and the portfolio companies to leverage Gores Operations' significant, dedicated operating experience and expertise, conduct due diligence rapidly, and reduce our reliance on third-party advisors. Certain employees of Gores Operations also provide services to and serve in officer positions for Gores. For more information on Gores Operations see "Item 11. Code of Ethics, Participation or Interest in Client Transactions, Personal Trading and Conflicts—Providers of Operations Support" below.

Gores employs multiple techniques for realizing value from its investments. We typically structure our Partnerships' investments to provide a return of invested capital through distributions or recapitalizations and to monetize their full investments through either sale transactions or other exit alternatives. In addition to sales transactions, Gores occasionally evaluates opportunities to exit through public offerings and other creative opportunities when markets permit. Our mergers and acquisitions professionals actively evaluate exit opportunities for the Partnerships' portfolio companies and enlist the industry knowledge of portfolio company management to identify potential strategic buyers.

### Risk of Loss

Acquiring an interest in any Partnership involves a number of risks. An investment in a Partnership should be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Partnership. No guarantee or representation is made that the Partnership will achieve its investment objective or that investors will receive a return of their capital.

All investing involves a risk of loss and the investment strategies we offer could lose money over short or even long periods. Investors in the Partnerships must be prepared to bear the risk of a complete loss of their investments. The description contained below is a brief overview of some of the different material risks related to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Partnerships. A more complete description of applicable risks is available in the offering memorandum for each Partnership.

*General Business and Management Risk.* Investments in portfolio companies subject the Partnerships to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases Gores monitors portfolio company management, management of each portfolio company has day-to-day responsibility for the operations of such portfolio company.

*Liquidity Issues.* Although portfolio investments may generate current income, the return of capital and the realization of gains, if any, from an investment generally will most likely occur only upon the partial or complete disposition of such investment. While an investment may be disposed of at any time, it generally is expected that the disposition of most of the Partnerships' portfolio investments will not occur for a number of years after such portfolio investments are made. The Partnerships will make investments where there is likely to be no actively traded market. Moreover, many of the Partnerships' investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Partnerships may find it more difficult to sell such instruments when Gores believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Partnerships may be further limited. In addition, investors' investments in the Partnerships we manage are subject to restrictions on transfer and there is no established secondary market for such Partnership interests. An investment in the Partnerships is highly illiquid and an investor may not be able to sell or otherwise dispose of its interest if or when desired. Thus, investors in the Partnerships must be prepared to bear the risks of owning their interests and contributing capital for an extended period of time.

*Disposition of Private Investments.* Most of the Partnerships' portfolio investments will involve private securities. In connection with the disposition of an investment in private securities, the Partnerships may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. The Partnerships also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that may ultimately

yield funding obligations that must be satisfied by the Limited Partners to the extent of distributions made to such Limited Partner.

*Valuation Risk.* When estimating fair value, Gores applies a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval, and ensuring that portfolio investments are fairly valued is an important focus of Gores. 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 may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Partnership's assets. With respect to the Partnerships, the exercise of discretion in valuation by Gores gives rise to conflicts of interest, valuations impact Gores' track record and the performance allocation in certain Partnerships is calculated based, in part, on these valuations and such valuations affect performance calculations. As a result, it is possible for there to be situations where Gores is incentivized to influence or manipulate the valuation of investments.

*Unidentified Investments.* Proceeds from commitments made to the Partnerships are intended to be invested in portfolio investments that have not been identified as of the date such commitments are made. Investors in the Partnerships will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding investments by the Partnerships.

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing on attractive portfolio investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Partnerships will be able to identify and complete portfolio investments which satisfy its investment objective, or realize the value of such portfolio investments, or that it will be able to invest fully its capital commitments. The Partnerships compete for investment opportunities against various other groups, including industry participants, investment firms and merchant banks.

*Use of Leverage.* The Partnerships' portfolio investments include investments in companies whose capital structures have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The Partnerships' investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in the industries targeted by the Partnerships) may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may significantly increase portfolio companies' interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Partnerships may suffer a partial or total loss of capital invested in the portfolio company. In addition, borrowings by the Partnerships may be secured by the investors' capital commitments as well as by the Partnerships' assets.

*Control Position.* The Partnerships generally seek investment opportunities that allow the Partnerships to have significant influence on the management, operations and strategic direction of the portfolio companies in which they invest. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of the Partnerships to claims by such portfolio company, its security holders and

its creditors. While the General Partners intend to manage the Partnerships in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

*Board Participation.* The Partnerships are generally represented on the boards of directors of their portfolio companies or may have representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to the Partnerships' investment strategies and may enhance the General Partners' and our ability to manage the portfolio investments, they may also have the effect of impairing the General Partners' ability to sell the related securities when, and upon the terms it may otherwise desire, and may subject the General Partners, Gores and the Partnerships to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director related claims. In general, the Partnerships indemnify the General Partners and Gores from such claims.

*Non-Controlling Investments.* Although the Partnerships generally seek to invest in portfolio companies where it has significant influence on the management, operations and strategic direction of the business, it may not be successful in achieving such influence and such failure could decrease a Partnership's profit potential with regard to that portfolio company. Therefore, there can be no assurance that the Partnerships will be able to realize the value of their investments and distribute proceeds in a timely manner.

Portfolio companies in which the Partnerships make or retain minority equity investments may have economic or business interests or goals that are inconsistent with those of the Partnerships and the Partnerships may not be in a position to limit or otherwise protect the value of their investment in such portfolio companies. The Partnerships' control over the investment policies of such portfolio companies may also be limited. This could result in the Partnership's investments being frozen in minority positions that incur substantial losses.

*Third-Party Involvement.* The Partnerships may co-invest through partnerships, joint ventures or other entities with third parties that may have economic or business interests or objectives that are different than or conflict with those of the Partnerships.

*Reliance on Key Personnel.* The success of the Partnerships depends in substantial part upon the skill and expertise of Gores' principals and the other investment professionals who will be providing investment advice with respect to the Partnerships. There can be no assurance that these key investment professionals will continue to be associated with Gores throughout the life of the Partnerships. The loss of key personnel could have a material adverse effect on the Partnerships' ability to realize their investment objectives.

*Portfolio Company Management Risks.* With respect to management at the portfolio company level, many portfolio companies may rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although Gores monitors the management teams of each portfolio company, management of each portfolio company has day-to-day responsibility with respect to the business of such portfolio company.

*Concentration of Investments.* The Partnerships each participate in a limited number of investments and, as a consequence, the aggregate return of a Partnership may be affected by the performance of a single investment.

*Non-U.S. Investments.* The Partnerships may invest globally, including in portfolio companies located in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which a Partnership's non-U.S. investments are denominated, which may result in decreases in the returns of a portfolio company unrelated to the performance of the portfolio company itself; (b) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (c) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (d) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. The legal systems in these countries may offer no effective means for the Partnership to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

*Concentration of Investments in Certain Industries.* Certain of the Partnerships' portfolio companies may be concentrated in one or a limited number of sectors. Such concentration may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. There is no assurance that products sold or services offered by portfolio companies will not be rendered obsolete or adversely affected by competing products or services or other challenges. To the extent that a Partnership concentrates its investments in an industry, instability, fluctuation or an overall decline within such industry may not be balanced by investments in other industries not so affected. In the event that the industry or industries in which a Partnership concentrates its investments decline, returns to Limited Partners may decrease. In addition, adverse changes in law or regulations can dramatically affect the business environment faced by new, emerging, and established businesses. Regulatory actions could have a material adverse effect on a market or a company in which the Partnerships may have invested and could cause the Partnerships to incur a substantial or total loss of their investments.

*Market and Credit Risks of Debt Securities.* Portfolios with debt securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such security. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

*Nature of Distressed Investments.* The Partnerships are authorized to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment



default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments.

*Nature of Bankruptcy Process.* There are a number of significant risks inherent in the bankruptcy process, including, for example, the deleterious effects of litigation between the creditors and debtor, the duration of the bankruptcy proceeding and various costs to the debtor issuer such as potential adverse effects on personnel, business relationships and operations. In the event of the bankruptcy of a portfolio company, there can be no assurance that these factors can be successfully overcome.

*Fraudulent Conveyance Considerations.* Certain Portfolio Investments may be subject to federal or state laws protecting creditors due to a Partnership's role as a creditor. Under such laws, in certain circumstances, a court could invalidate or subordinate indebtedness and any security interest securing such investment. Certain payments on an investment could also be subject to avoidance as a "preference" if made within a certain period of time before insolvency. There can be no assurance as to what standard a court would apply in determining whether a borrower was insolvent.

*Potential Liability to Creditors; Receipt of Material Non-Public Information.* Certain Gores employees may participate in negotiations with financially troubled companies, but there can be no assurance that such employee would be successful in obtaining results most favorable to a Partnership. Participation in negotiations could expose the Partnership to liability to other creditors, result in significant legal fees and other expenses to a Partnership, and/or limit a Partnership's ability to trade in a company's securities due to exposure to material non-public information.

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

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

*Tax Reform Risks.* President Trump signed into law a broad-based reform of the Internal Revenue Code of 1986, as amended (the “Code”) on December 22, 2017 (the “Tax Act”). There are significant uncertainties regarding the interpretation and application of the Tax Act. While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes to the Code made by the Tax Act and any further changes in tax laws or interpretation of such laws may be adverse to the Partnerships and their limited partners. In addition, although not free from doubt, the Tax Act subjects allocations of income and gain in respect to entitlements to carried interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. Significant uncertainties remain regarding the application of the provisions of the Tax Act that affect the taxation of carried interest. Enactment of this legislation could cause Gores’ investment professionals to incur a material increase in their tax liability with respect to their entitlement to carried interest. This might make it more difficult for Gores to incentivize, attract and retain these professionals, which may have an adverse effect on Gores’ ability to achieve the investment objectives of the Partnerships. In addition, this can create a conflict of interest as the tax position of Gores may differ from the tax positions of the Partnerships and/or the investors and therefore, these rules may have an additional impact on the investment decisions made by the Partnerships, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the tax law gives Gores an incentive to cause a Partnership to hold an investment for longer than 3 years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than 3 years.

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

There are no legal or disciplinary events with respect to us or our management that are material to an investor’s or prospective investor’s evaluation of us or the integrity of our management.

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

We are affiliated with Gores Capital Advisors II, LLC, Gores Capital Advisors (Alternative) II, L.P., Gores Capital Advisors III, L.P., Gores Capital Advisors (Alternative) III, L.P., Gores Small Cap Advisors, L.P., and Gores Small Cap Advisors (Alternative), L.P., each of which serves as the General Partner of certain of the Partnerships. For a description of material conflicts of interest created by the relationship among Gores and these General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

In addition, as described above under “Methods of Analysis, Investment Strategies and Risk of Loss – Investment Strategy and Analysis,” we utilize the services of Gores Operations. While Gores Operations is controlled by Gores and as a result of this relationship Gores may benefit from certain economies of scale (e.g., sharing of resources and infrastructure, including senior management personnel), Gores does not have an economic interest in Gores Operations (as the class of stock of Gores Operations held by Gores has no interest in any dividends or other distributions that might be made by Gores Operations). Gores Operations charges the Partnerships and their portfolio companies, as applicable, for Gores Operations’ services on a fee-per-hour basis at rates that are consistent with market and industry standards, and uses its revenues from fees to cover its operational costs. In addition to the hourly fees charged, certain of Gores Operations’ professionals receive equity interests in the Partnerships’ portfolio companies in which

they are involved. Gores Operations does not receive any payments from portfolio companies or Gores except to the extent that Gores or the applicable portfolio company engages Gores Operations professionals to provide services or for the reimbursement of expenses.

Gores Operations provides consulting services to Gores portfolio companies and assists Gores with operational due diligence and portfolio company oversight, including with respect to tax, finance, accounting, legal, information technology, marketing, sales, supply-chain management, insurance/risk management and operations. We believe the engagement of Gores Operations provides a substantial benefit to the Partnerships and their portfolio companies given the expertise of Gores Operations' professionals and the value provided by their involvement in the due diligence, transformation and ongoing operational stages of portfolio companies. Further information regarding Gores Operations is available in the offering memorandum and financial statements of each Partnership.

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

##### **Code of Ethics/Insider Trading**

We have adopted a written Code of Ethics (the "Code") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Code establishes guidelines for professional conduct and personal trading procedures and is applicable to all of the Gores principals, officers and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, "Gores Personnel").

Gores Personnel who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Gores Personnel are also required to promptly report any violation of the Code of which they become aware. Gores Personnel are required to annually certify compliance with the Code.

Our Code limits our employees' personal securities trading activity and mandates that all such trading activity comply with the requirements of the Code, including: (1) pre-clearing certain personal securities transactions; (2) reporting personal securities transactions on at least a quarterly basis; and (3) providing us with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. The Code helps Gores to detect and prevent certain potential conflicts of interest.

A copy of our Code will be provided to any investor or prospective investor upon written request.

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

Employees and affiliates of Gores invest in the Partnerships either through the General Partners or as direct investors in the Partnerships, and such Partnerships or the General Partners, as applicable, generally do not pay Management Fee and/or Incentive Allocations. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Due in part to the fact that potential investors in a Partnership (including purchasers of a Limited Partner's interests in a secondary transaction) or a co-investment opportunity (see below) ask different

questions and request different information, Gores from time to time provides certain information to one or more prospective investors that it does not provide to all of the prospective investors or Limited Partners.

### *Conflicts of Interest*

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

Gores will, from time to time, establish certain investment vehicles through which certain employees of Gores or its affiliates, certain employees of Gores Operations, certain business associates, other “friends of the firm,” or other persons will invest alongside one or more Partnerships in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” may, in certain circumstances, be contractually required to purchase and sell certain investment opportunities at the same time and on the same terms as the applicable Partnership that is invested in that investment opportunity. Such co-investment vehicles generally do not pay Management Fees or Incentive Allocations.

### *Resolution of Conflicts*

In the case of all conflicts of interest, Gores’ determination as to which factors are relevant, and the resolution of such conflicts, will be made using Gores’ best judgment, but in its sole discretion. In resolving conflicts, Gores generally considers various factors, including the interests of the applicable Partnerships with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below.

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

### *Conflicts*

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

### *Allocation of Investment Opportunities Among Clients*

In connection with its investment activities, Gores will encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which include, but are not limited to, the following:

- The Partnerships;
- Any co-investors or co-investment vehicles that have been formed to invest side-by-side with one or more Partnerships in particular transactions entered into by such Partnership(s) (the co-investors or investors in such co-investment vehicles which may include Gores Investors and/or Third Parties);
- Gores Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Partnerships in particular transactions entered into by such Partnership(s); and
- Gores Investors and/or Third Parties acting as “co-sponsors” with Gores with respect to a particular transaction.

Gores has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Partnerships are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which will also apply directly or indirectly to certain co-investment vehicles with investments contractually tied to the Partnerships. Investment Allocation Requirements are typically set forth in the Partnership’s Governing Documents. To the extent the Investment Allocation Requirements of a Partnership do not include specific allocation procedures and/or allow Gores discretion in making allocation decisions among the Partnerships, Gores will follow the process set forth below.

Gores must first determine which Partnerships will participate in an investment opportunity. Gores assesses whether an investment opportunity is appropriate for a particular Partnership(s), based on the Partnership’s investment objectives, strategies, investment phase, and structure. A Partnership’s investment objectives, strategies and structure typically are reflected in the Partnership’s Governing Documents. Prior to making any allocation to a Partnership of an investment opportunity, Gores determines what additional factors restrict or limit the offering of an investment opportunity to the Partnership(s). Possible restrictions typically include, but are not limited to:

- **Obligation to Offer:** Gores may be required to offer an investment opportunity to one or more Partnerships. This obligation to offer investment opportunities may be set forth in a Partnership’s Governing Documents.
- **Related Investments:** Gores may offer an investment opportunity related to an investment previously made by a Partnership(s) to such Partnership(s) to the exclusion of, or resulting in a limited offering to, other Partnerships.
- **Legal and Regulatory Exclusions:** Gores may determine that certain Partnerships or investors in such Partnerships should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.
- **Partnership Life Cycle:** Gores may determine that certain Partnerships should be excluded from an allocation when such Partnership no longer has the ability to make new or, as applicable, follow-on investments, as provided in the Partnership’s Governing Documents.

Once Gores identifies the Partnerships that will participate in a particular investment, Gores, in its discretion, decides how to allocate such investment opportunity among the participating Partnerships. In allocating such investment opportunity, Gores typically considers some or all of a wide range of factors, which generally include, but are not necessarily limited to, one or more of the following:

- Amount of capital available for investment by each Partnership as well as each Partnership's projected future capacity for investment and the current or expected capital requirements of each Partnership's existing or anticipated portfolio companies;
- Minimum and maximum investment size requirements;
- Each Partnership's investment objectives and investment focus;
- Each Partnership's liquidity and reserves;
- Each Partnership's diversification (including the actual, relative or potential exposure of a Partnership to the type of investment opportunity in terms of its existing portfolio);
- Lender covenants and other limitations;
- Each Partnership's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Partnership's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Partnership;
- The availability of other suitable investments for each Partnership;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Tax implications;
- Whether an investment opportunity requires additional consents or authorizations from the Partnership, investors or Third Parties;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Governing Documents of each Partnership.

Gores will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Partnership or (ii) the profitability of any Partnership. The application of the Investment Allocation Requirements and factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that a Partnership will participate in all investment opportunities that fall within its investment objectives.

In addition, principal executive officers and other personnel of Gores invest indirectly in, are permitted to invest directly in, and have a right to Incentive Allocations arising from the performance of the Partnerships and therefore participate indirectly in investments made by the Partnerships in which they invest. Such interests will vary Partnership by Partnership and may create an incentive to allocate particularly attractive investment opportunities to the Partnership in which such personnel hold a greater interest. The existence of these varying circumstances will present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Partnership.

Gores has in the past and may in the future create investment vehicles for the purpose of purchasing individual identified investment opportunities. We do not anticipate that any such vehicle would give rise to an allocation conflict, as the investments are generally not otherwise suitable for a Partnership due to the relevant limitations imposed by or conditions set forth in the Governing Documents of each Partnership as well as the current lifecycle position of each Partnership. To the extent the allocation of investment opportunities between any such vehicle and a Partnership did give rise to a conflict of interest (e.g., an opportunity would be appropriate as an add on investment for a current portfolio company), Gores would follow the allocation process set forth above.

Certain employees of Gores provide services with respect to investment activities of a Gores' principal and such principal's family members and estate planning vehicles. Such investment activities may be made alongside third-party co-investors. Such services could potentially present a conflict of interest between Gores and a Partnership. However, Gores believes any potential conflicts of interest are substantially mitigated because (i) the Partnerships are no longer making new investments and, while certain Partnerships still have the ability to make follow-on investments, such Partnerships will have priority in allocation of such follow-on investment opportunities and (ii) the investments are reportable and subject to pre-clearance by the applicable Gores principal pursuant to Gores' Code of Ethics.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

Gores will determine if the amount of an investment opportunity exceeds the amount Gores determines would be appropriate for the Partnerships (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to Gores and/or the Partnerships or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by Gores to be in the best interest of the applicable Partnership), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Partnerships' Governing Documents and as set forth in the following paragraphs.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Partnership has a right to participate in any co-investment opportunity and investing in a Partnership does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, and in what amount are made in the sole discretion of Gores or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities typically will be offered to some and not other investors in the Partnerships, in the sole discretion of Gores or its related persons, and (iv) certain persons other than investors in the Partnerships (e.g., consultants, joint venture partners, persons associated with a portfolio company and other Third Parties) rather than one or more investors in a Partnership, will from time to time be offered co-investment opportunities, in the sole discretion of Gores or its related persons. Additionally, non-binding acknowledgements of interest in

co-investment opportunities are not Investment Allocation Requirements and do not require Gores to notify the recipients of such acknowledgements if there is a co-investment opportunity.

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

- Gores' evaluation of the size and financial resources of the potential co-investment party and Gores' perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Partnership(s) without harming or otherwise prejudicing such Partnership(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Any confidentiality concerns Gores has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Gores' perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by Gores, such party's ability to successfully consummate the proposed transaction and the expected amount of negotiations required in connection with a potential co-investment party's commitment;
- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's chemistry with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- Gores' perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- Gores' evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Partnerships to take advantage of such opportunity (for example, if the potential co-investment party is involved or has expertise in the same industry as a target company in which a Partnership wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Partnership being able to capitalize on a potential investment opportunity); and



- Whether Gores believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Partnerships and/or Gores and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Partnerships and/or Gores.

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

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

Gores or its affiliates may in the future establish dedicated co-investment vehicles or similar arrangements for specific co-investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Partnership. Any such vehicle will be established at Gores or its affiliates' sole discretion and Gores and its affiliates have no obligation to offer a similar opportunity to any other investor.

In addition, to the extent Gores has discretion over a secondary transfer of interests in a Partnership pursuant to such Partnership's Governing Documents, or is asked to identify potential purchasers in a

secondary sale or transfer, Gores will do so in its sole discretion, generally taking into account the following factors:

- Gores' evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- Gores' perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate a relationship that may provide indirectly longer-term benefits to current or future Partnerships and/or Gores and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject Gores, the applicable Partnership, or their affiliates to legal regulatory, reporting, public relations, media or other burdens;
- A potential purchaser's investment into another Partnership (including any commitment into a future partnership);
- Requirements in such Partnership's Governing Documents; and
- Such other factors as it deems appropriate under the circumstances in exercising such discretion.

#### *Conflicts Related to Purchases and Sales*

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

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Partnerships will occasionally provide such additional capital, and if provided each Partnership will supply such additional capital in such amounts, if any, as determined by Gores. In

addition, a conflict arises in allocating an investment opportunity if the potential investment target could be acquired by either a Partnership or a portfolio company of another Partnership. Investments by more than one client of Gores in a portfolio company will also raise the risk of using assets of a client of Gores to support positions taken by other clients of Gores, or that a client may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may be detrimental to a Partnership.

The applicable Partnership's Governing Documents and Gores' policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Partnerships in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

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

Partnerships have in the past and will in the future invest in opportunities that other Partnerships have declined, and likewise, Partnerships have in the past and will in the future decline to invest in opportunities in which other Partnerships have invested.

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

Partnerships have in the past and may in the future sell down an interest in their portfolio companies to co-investors. Subject to the applicable Governing Documents, Gores typically charges (but could decide not to charge) a co-investor (such as a Partnership Investor or Third Party) interest costs for the time period between the closing of the applicable Partnership's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

Partnerships will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Partnership agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances Partnerships will also enter into limited guarantee arrangements whereby, subject to any applicable documentation, a Partnership agrees that if a transaction with respect to a potential portfolio

company is not consummated, it will pay a percentage of the total value of the transaction as a “reverse termination fee” to the seller entity. While certain co-investment vehicles with investments contractually tied to Partnerships (including co-investment vehicles through which employees of Gores participate) are generally obligated to pay their proportionate share of the equity purchase price and/or the reverse termination fee (whether pursuant to the applicable Partnership’s Governing Documents or otherwise), such co-investment vehicles are generally not direct parties to the equity commitment arrangements or limited guarantees. Therefore, in the unlikely event that a co-investment vehicle defaults on such arrangement, the Partnership would be held responsible for the entire equity purchase price or reverse termination fee, as applicable.

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

#### *Cross-Transactions*

From time to time, Gores will cause a Partnership to purchase investments from another Partnership, or cause a Partnership to sell investments to another Partnership. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Partnership may not receive the best price otherwise possible, or Gores might have an incentive to improve the performance of one Partnership by selling underperforming assets to another Partnership in order, for example, to earn fees. Additionally, in connection with such transactions, Gores, its affiliates and/or their professionals (i) could have significant investments, or intentions to invest, in the Partnership that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Gores and its affiliates generally receive management or other fees in connection with their management of the relevant Partnerships involved in such a transaction, and are generally entitled to share in the investment profits of the relevant Partnerships. To address these conflicts of interest, in connection with effecting such transactions, Gores will follow the Investment Allocation Requirements of the relevant Partnerships. Specifically, other than for a transaction on a “heads-up basis” where all Partnerships are investing the same amount at the same time in a target company, the Gores Investment Committee of each affected Partnership must approve the transaction and the advisory committee of each affected Partnership must also approve the transaction.

#### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In

connection with Gores' management of the Partnerships, Gores and its affiliates, while not anticipated, may engage in principal transactions. Gores has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Partnership(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the Governing Documents of the Partnerships contain additional restrictions on the ability of the Partnerships or Gores to engage in principal transactions.

#### *Management of the Partnerships*

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

In addition, it is expected that employees of Gores responsible for managing a particular Partnership will have responsibilities with respect to other Partnerships managed by Gores, including Partnerships that are raised in the future, and to proprietary investments made by Gores and/or its principals (including such principal's family members and estate planning vehicles, other co-investors, as described in greater detail under *"Allocation of Investment Opportunities Among Clients"* above) of the type made by a Partnership. Conflicts of interest arise in allocating time, services or functions of these officers and employees.

Gores will, from time to time, consider, and reject an investment opportunity on behalf of one Partnership and, Gores or an affiliate may subsequently determine to have another Partnership make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by Gores on behalf of the original Partnership considering the investment. In such circumstances, the benefitting fund or funds will generally be required to reimburse the original Partnership for expenses incurred in connection with researching such investment.

In addition, Gores receives and generates various kinds of portfolio company data and other information, including related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf of one Partnership's investment (or prospective investment) in a portfolio company. As a result, Gores is better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. Gores may enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of certain of such data. Gores may, in certain instances, use this information in a manner that may provide a material benefit to Gores, its

affiliates, or to certain other Partnerships without compensating or otherwise benefitting the Partnership or Partnerships from which such information was obtained. In addition, Gores may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. Gores may utilize such information to benefit Gores, its Affiliates or certain Partnerships in a manner that may otherwise present a conflict of interest but does not intend to specifically disclose such conflicts to the relevant Partnerships.

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

#### *Follow-on Investments*

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

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

Gores generally may, in its discretion, contract with any related person of Gores (including but not limited to a portfolio company of a Partnership) to perform services for Gores in connection with its provision of services to the Partnerships. When engaging a related person to provide such services, Gores has an incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

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

Because certain expenses are paid for by a Partnership and/or its portfolio companies or, if incurred by Gores, are reimbursed by a Partnership and/or its portfolio companies, Gores will not have an incentive to seek out the lowest cost options when incurring (or causing a Partnership or its portfolio companies to incur) such expenses.

#### *Fee Structure*

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

Additionally, as discussed above, the General Partners of the Partnerships are entitled to Incentive Allocations under the terms of the Governing Documents of such Partnerships. Such General Partners are affiliates of Gores. The existence of the General Partners' Incentive Allocations creates an incentive for the General Partners to cause such Partnerships to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by Gores or its affiliates in a Partnership, the clawback obligation of the General Partner (as described below) and the fact that the preferred return is calculated on an aggregate basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of Gores' personnel.

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

#### *Partnership Level Borrowing*

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

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

Borrowing by the Partnership will generally be secured by capital commitments made by the Limited Partners to the Partnership and/or by the Partnership's assets, and documentation relating to such

borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Partnership-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by the Partnership may cause the realization of UBTI.

### *Providers of Operations Support*

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

Pursuant to the Governing Documents of the Partnerships, fees and expenses associated with Operations Support Services (“Operations Expenses”) are paid and/or reimbursed by portfolio companies and/or the Partnerships. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) will typically be determined at the discretion of the General Partner taking into account the particular Operations Support Services, generally include an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Partnerships and/or portfolio company or other incentive-based compensation to the Operations Support Provider, and will otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio 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 companies. The determination of whether a service is an Operations Support Service will be made by the General Partner, in its good faith discretion. Operations Expenses will generally also be incurred in respect of portfolio companies prior to the closing of the investment. To the extent services may be provided for the benefit of a Partnership,



without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by the Partnership. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Partnerships, such Operations Expenses will be allocated among the Partnerships as determined by the General Partner or Gores, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Partnerships or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the management company or its affiliates. The General Partner's good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Partnership and its investors. Over time, certain existing and former employees of Gores (including senior personnel) may transition to an Operations Support Provider role, which may shift the burden of compensation such persons from Gores to the applicable Partnership and/or its portfolio companies.

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

#### *Diverse Membership*

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

#### *Business with Portfolio Companies and Investors*

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

Gores has an incentive to recommend the products or services of certain investors or prospective investors in the Partnerships, certain Third Parties, or their related businesses to the Partnerships or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Partnerships or the portfolio companies.

Portfolio companies controlled by a Partnership occasionally provide services to certain Partnership investors. Gores has an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Partnership.

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

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

A Partnership's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Partnerships or other investments managed by Gores that, although Gores determines to be consistent with the requirements of such Partnerships' Governing Documents, may not have otherwise been entered into but for the affiliation with Gores, and which may provide economic or other benefits to affiliates of Gores that are not subject to the Management Fee offset provisions described herein. For example, Gores has in the past and may in the future cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to Gores, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While Gores may have a conflict of interest because its economic benefit may incentivize Gores to maintain such arrangements, we believe that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and our benefits from such arrangements are reduced because Gores only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related

to, or otherwise affiliated with Gores will only take actions that are beneficial to, or not opposed to, the interests of a Partnership and its portfolio companies.

In addition, Gores participates in a multi-employer retirement savings plan which includes participants who are not affiliated with Gores (e.g., personnel of current and former portfolio companies) and which may create certain benefits for Gores and the portfolio companies (e.g., in connection with a forfeiture by a plan participant).

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

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

#### *Service Providers*

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

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

Additionally, employees of Gores or its affiliates, may have ownership, employment, or other interests in such service providers. These relationships that Gores may have with a service provider can influence Gores in determining whether to select, or recommend such service provider to perform services for a

Partnership or a portfolio company. Gores has a conflict of interest with the Partnerships in recommending the retention or continuation of a service provider to the Partnerships or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Partnerships or will provide Gores information about markets and industries in which Gores operates or is interested or will provide other services that are beneficial to Gores. Although Gores selects service providers that we believe will enhance portfolio company performance (and, in turn, the performance of the relevant Partnership(s)), there is a possibility that Gores, because of financial, business interest, or other reasons, will favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While Gores often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which Gores receives more favorable service rates or arrangements than the Partnerships or their portfolio companies.

Gores or its affiliates and service providers, often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by Gores or its affiliates differ from those required by the Partnerships and/or its portfolio companies, Gores and its affiliates will pay different rates and fees than those paid by the Partnerships and/or its portfolio companies.

#### *Positions with Portfolio Companies*

Employees of Gores, Gores Operations or their affiliates serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the Partnership, it is expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employees' fiduciaries duties among the two portfolio companies may create a conflict of interest. Gores or its employees occasionally receive remuneration or other fees for serving as directors to such portfolio companies ("Directors' Fees"). While the Partnerships and the Limited Partners do not have any right to receive payment in respect to any portion of Directors' Fees received by Gores or its employees, such amounts are 100% offset against Management Fees. In addition, employees of Gores have left the employment of Gores or its affiliates and become an officer or employee of a portfolio company. Employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

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

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

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

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

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

In addition, members of one Partnership's advisory committee may also be a member of another Partnership's advisory committee. In such instances, a conflict of interest exists because the Partnerships on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

#### *Other Potential Conflicts*

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

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

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

Gores has and is permitted to, in its discretion, cause the Partnerships and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Gores. The Partnerships and/or their portfolio companies will likely bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there will be a conflict of interest between Gores and the Partnerships (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Gores will favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Partnerships may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company (“Holding Company”) would be created that would acquire and manage the companies in the platform. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former employees of Gores, or current or former senior advisors or consultants to Gores and its affiliates. The Holding Company’s costs and expenses (including compensation for its personnel, which compensation may include, among other things, the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets) would be borne by the Holding Company (and, therefore, indirectly borne by the Partnership). Such costs and expenses will not offset the Management Fee and are in

addition to Management Fees and other compensation (e.g., Incentive Allocation) received by Gores. In addition, as Gores earns Management Fees and the Incentive Allocation from the Partnership, Gores will benefit from the assets, income and gains of Holding Company.

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

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

The General Partner of certain Partnerships is permitted to cause (but does not anticipate causing) such Partnership to distribute such General Partner’s share of securities resulting from an investment disposition by such Partnership to such General Partner or its affiliates (including managing directors and employees) in kind, while disposing of Limited Partners’ share of such securities and distributing the net cash proceeds of such sale of securities to the Limited Partners. This ability creates conflicts of interest between the General Partners and the Limited Partners of the applicable Partnership, because the General Partner will have an incentive to cause the Partnership to exit an investment at a time that may result in Limited Partners receiving a lesser return on such investment than would be the case if the General Partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as Limited Partners). Furthermore, the General Partner, or its affiliates, on rare occasion receive distributions in kind from an investment disposition. In the event the General Partner, or its affiliates, receive such a distribution, the General Partner will act in its own interest with respect to its share of securities and is permitted to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the General Partner shall determine. The ability of the General Partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the General Partner or affiliate, as an adviser to the Partnership, and the Partnership.

The Governing Documents of certain Partnerships permit each such Partnership’s General Partner, or its affiliates, to lend money to the applicable Partnership. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Partnership acting as borrower.

The Governing Documents of certain Partnerships permit each such Partnership's General Partner to withhold information from certain investors in such Partnership in certain circumstances. For instance, certain confidential or sensitive information will be withheld from Limited Partners that are subject to Freedom of Information Act or similar requirements. In addition, the General Partner will elect to withhold certain information to such Limited Partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such Limited Partners of receiving such information.

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

#### **Item 12. Brokerage Practices**

Gores does not make regular use of broker-dealers for the purposes of purchasing or selling securities on behalf of the Partnerships because the securities that it typically purchases or sells on behalf of the Partnerships are acquired and/or disposed of in privately negotiated purchase and sale transactions. From time to time, Gores will use a broker-dealer to effect transactions in public securities resulting from, or in connection with, portfolio investments. To meet its fiduciary duties to the Partnerships, Gores has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities. In those instances, Gores has full discretionary authority with respect to the sale of such investments (including the size of such transactions) and the selection of, and commissions paid to, broker-dealers. If Gores determines to engage a broker-dealer, it will seek "best execution" of the transaction. "Best execution" means obtaining for a Partnership account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, Gores takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the timing of the transaction taking into account market prices and trend, the range and quality of its brokerage services (including the quality of service rendered by the broker or dealer in other transactions), its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any.

In order to minimize execution costs and obtain best execution for all Partnerships, Gores will from time to time aggregate orders for multiple Partnerships, as long as aggregating would be in the best interests of each participating Partnership. Gores does not currently utilize any soft dollar benefits or client referrals from broker-dealers in connection with Partnership transactions, although Gores will from time to time receive research available to other institutional investors.

Gores routinely engages investment banks to advise the Partnerships in connection with the potential sale of, or securities offerings related to, portfolio companies. When engaging an investment bank to provide these services, Gores considers a variety of factors, including without limitation its overall service quality, execution capabilities, experience and knowledge in the particular industry, fees and responsiveness.



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

The investment portfolios of the Partnerships are generally private, illiquid and long-term in nature, and accordingly our review of them is not directed toward a short-term decision to dispose of securities. However, investments held by the Partnerships are reviewed on a continuous basis by the applicable Investment Committee. The applicable Investment Committee meets regularly to discuss the Partnerships' portfolios, investment ideas, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities. All Partnership investments are reviewed and approved by the applicable Investment Committee, which consists of senior professionals (i.e., our Chairman, senior managing directors and certain managing directors) from various disciplines within Gores. All acquisitions and dispositions of portfolio companies must also be reviewed and approved by the applicable Investment Committee.

We provide written quarterly and annual reports for each Partnership to such Partnership's investors in accordance with the terms of such Partnership's governing documents. The quarterly report includes investor capital account statements and asset allocation statements, as well as a comprehensive investment letter updating the activity in the applicable Partnership's portfolio that occurred during the quarter. The quarterly report also includes quarterly financial statements. Annual audited financial statements for each Partnership are provided to such Partnership's investors within 120 days of the end of each fiscal year, along with annual capital account statements and year-end tax information.

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

For details regarding economic benefits provided to Gores by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

We do not engage third-party agents to refer advisory clients to us. However, while not a client solicitation arrangement, we pay fees from time to time to placement agents for referring potential investors to the Partnerships. Such fees are paid by the applicable Partnerships and are 100% offset against the Management Fees. See "Fees and Compensation – Other Fees" above.

If we or our employees receive directors' fees, monitoring fees, transaction fees, break-up fees, or other fees relating to Partnership investments or potential transactions, such fees reduce Management Fees paid by investors in the applicable Partnership. See "Fees and Compensation" above.

In addition, Gores and its related persons and the employees of Gores and Gores Operations will, in certain instances, receive discounts on products and services provided by portfolio companies of Partnerships and/or the customers or suppliers of such portfolio companies. In certain cases, these discounts will be greater than those offered to the portfolio companies' employees generally. In addition, Gores will occasionally receive discounts for goods and services purchased by Gores based on the volume of purchases from such providers across the Gores portfolio. Such discounts are consistent with the discounts received on such goods and services by Gores' portfolio companies. In addition, Gores and its related persons will, in certain instances, receive discounts on products and services provided by portfolio companies of Partnerships and/or the customers or suppliers of such portfolio companies.

### **Item 15. Custody**

Item 15 is not applicable to Gores.

### **Item 16. Investment Discretion**

The Governing Documents of each Partnership provide that we or an affiliate, as the ultimate General Partner of such Partnership, have exclusive and complete authority and discretion in managing the business and affairs of such Partnership, subject only to specific and express limitations provided therein. Thus, without obtaining specific consent from a Partnership or its investors for each transaction, we have discretionary authority to transact in securities for the Partnerships. Investment advice is provided directly to the Partnerships, subject to the direction and control of the General Partner of each Partnership, and not individually to the investors in the Partnerships.

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

We vote proxies on behalf of each of the Partnerships. Our investment and legal teams have the responsibility to identify the proxies upon which we will vote, vote the proxies in the overall interests of the applicable Partnerships and their investors (as described below) and submit the proxies promptly and properly.

In determining the overall interests of the Partnerships and their investors, consideration will be given to both short-term and long-term implications of the proposal to be voted on when considering the optimal vote. In voting proxies, we will seek to avoid material conflicts of interest between our interests, on the one hand, and the interests of the Partnerships and their investors, on the other. If we detect a material conflict of interest in connection with a proxy solicitation, our investment committee will consider the vote under consideration, discuss the perceived conflict of interest, and decide on how to vote the proxy. We will record the decision and then vote the proxy accordingly.

Upon request, we will provide investors in any of the Partnerships with information about how the proxies relevant to such Partnership and investor are voted. Our complete proxy voting policy and procedures are available to investors upon request. Our proxy voting record is also available to investors upon request.

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

Gores has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

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

Item 19 is not applicable to Gores.