

**INVESTMENT ADVISER BROCHURE  
FORM ADV PART 2A**

**Comvest Advisors, LLC**

**525 Okeechobee Blvd., Suite 1050  
West Palm Beach, Florida  
(561) 727-2000  
www.comvest.com  
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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Comvest Advisors, LLC (“Comvest”). If you have any questions about the contents of this Brochure, please contact us at (561) 727-2000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

Additional information regarding Comvest is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Material Changes**

Comvest filed its most recent Form ADV Part 2 on March 30, 2018. This annual amendment updates the description of the business practices of Comvest and its affiliates.

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# Comvest Advisors, LLC Brochure

## Section 1. Advisory Business

Comvest, a registered investment adviser, is a Delaware limited liability company. Comvest and its affiliated investment advisers provide “investment supervisory services” to their clients, which consist primarily of private investment funds. Comvest and its affiliates and predecessor entities have been in business since 2000. Comvest is controlled by its member, Comvest Group Holdings LP (“**Comvest Group Holdings**”), which is ultimately principally owned and controlled by Michael Falk.

The following are certain of the entities affiliated with Comvest:

### *General Partners*

- Comvest II Partners, LLC
- Comvest III Partners, LLC
- Comvest IV Partners, L.P.
- Comvest V Partners, L.P.
- Comvest Capital II Partners, L.P.
- Comvest Capital III Partners, L.P.
- Comvest Capital IV Partners, L.P.
- Comvest Capital IV Partners GP, SARL
- Comvest Credit V GP, L.P.
- Comvest SG Partners, L.P.

### *Management Companies*

- Comvest Capital Advisors, LLC
- Comvest SG Advisors LLC

Each General Partner and Management Company is registered or deemed registered under and subject to the Advisers Act pursuant to Comvest’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner and Management Company, which operate as a single advisory business together with Comvest. Comvest, the General Partners and Management Companies are together referred to herein as the “**Managers**.” The General Partners and Management Companies have the authority to make the investment decisions for the Funds to which they provide advisory services. Comvest provides the day-to-day advisory services for the Control Strategy Funds (as listed below), Comvest Capital Advisors, LLC provides the day-to-day advisory services for the Lending Strategy Funds (as listed below) and Comvest SG Advisors LLC provides the day-to-day advisory services for Strategic Growth Fund (as listed below).

The Managers’ clients include the following (collectively the “**Funds**,” and together with any future private investment fund, vehicle or account to which Comvest or its affiliates provide investment advisory services,

**“Private Investment Funds”):**

*Control Strategy Funds*

- **“Comvest II,”** consisting of Comvest Investment Partners II, LLC and Comvest Investment Partners II, Ltd.
- **“Comvest III,”** consisting of Comvest Investment Partners III, L.P. and Comvest Investment Partners III, Ltd.
- **“Comvest IV,”** consisting of Comvest Investment Partners IV, L.P., Comvest Investment Partners IV-A, L.P., Comvest Investment Partners IV-A AIV, L.P., Comvest Investment Partners IV-A AIV (Cayman), L.P. and Comvest IP IV Co-Invest, L.P.
- CIP IV Florida Fund, L.P. (**“Comvest Florida”**)
- **“Comvest V,”** consisting of Comvest Investment Partners V, L.P. and Comvest Investment Partners V-A, L.P.

*Lending Strategy Funds*

- **“Comvest Credit Partners II,”** consisting of Comvest Capital II, L.P., Comvest Capital II International (Cayman), L.P., and Comvest Capital II International, L.P.
- **“Comvest Credit Partners III,”** consisting of Comvest Capital III, L.P., Comvest Capital III International (Cayman), L.P., and Comvest Capital III International, L.P.
- **“Comvest Credit Partners IV,”** consisting of Comvest Capital IV, L.P., Comvest Capital IV International (Cayman), L.P., Comvest Capital IV International, L.P. and Comvest Capital IV (Luxembourg) Master Fund, SCSp.

*Strategic Growth Fund*

- **“CSG,”** consisting of Comvest Strategic Growth Fund, L.P.

The Funds and any other Private Investment Funds invest through negotiated transactions in operating entities. The Managers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted (any such non-public or public companies, **“portfolio companies”**). From time to time, the senior principals or other personnel of the Managers or their affiliates (the **“Principals”**) may, as designees of the applicable investing Funds, serve on a portfolio company’s board of directors or otherwise act in such capacity to influence control over management of portfolio companies in which the Control Strategy Funds and Strategic Growth Fund (and, solely in cases where they hold a significant equity position, the Lending Strategy Funds) have invested.

The Managers’ advisory services for the Private Investment Funds are further described in the applicable private placement memoranda or other offering document (each, a **“Memorandum”**) and limited partnership agreement, articles of association or operating agreement or governing document (each, a **“Partnership Agreement,”** and together with the applicable Memorandum, the **“Governing Documents”**), as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in Private Investment Funds participate in the overall investment program for the applicable Fund, but may, in limited cases, be excused from a particular investment due to legal, regulatory or other agreed- upon circumstances pursuant to the relevant Governing Documents.

The relationship between the General Partner and each Fund's limited partners or members, as applicable (collectively, "**Investors**"), is governed by each Fund's Partnership Agreement, the provisions of which are relatively detailed and are often the subject of extensive and detailed negotiations between the General Partner and individual limited partners. Information contained in this Brochure regarding the terms of any Partnership Agreement is a summary only and subject to the specific terms of the relevant Partnership Agreement.

From time to time, and as permitted by the relevant Governing Documents, the Managers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Comvest's personnel and/or certain other persons associated with Comvest and/or its affiliates (e.g., a vehicle formed by Comvest's principals to co-invest alongside a particular Fund's transactions). Such co-investments will typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the applicable Manager's sole discretion, such Manager is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of December 31, 2018, Comvest managed approximately \$3,299,459,315 in client assets on a discretionary basis.

## **Section 2. Fees and Compensation**

With respect to the Funds, Comvest or a Management Company, as applicable, is entitled to receive a management fee (the "**Management Fee**") and the relevant General Partner is entitled to receive a performance-based carried interest or similar incentive fee, in connection with advisory services. The Managers or their affiliates may receive additional compensation in connection with management and other services performed for certain portfolio companies and such additional compensation may offset in whole or in part the Management Fees otherwise payable to the applicable Manager. Investors in the Funds also bear fund expenses. Investors should review the relevant Governing Documents to fully understand the total amount of fees and expenses to be paid by a Fund and, indirectly, by its Investors.

During a Fund's investment period, the Management Fee is generally equal to a percentage of committed capital or, to the extent set forth in the applicable Partnership Agreement, invested capital. When a Fund's investment period ends, as described below, the Management Fee is generally reduced to a percentage of capital invested in remaining investments. The change in Management Fees at the end of a Fund's investment period is generally effective on the first payment date after the end of the "investment period," a term determined in accordance with the relevant Partnership Agreement and generally equal to the lesser of a set number of years or the launching of a successor Fund. In some cases, the relevant Management Fee may be reduced such as where the term of a Fund is extended pursuant to the Partnership Agreement or where a particular subsequent Fund is formed.

Typically, the Management Fee is reduced by a portion of directors' fees, consulting fees, closing fees, investment banking fees, monitoring fees and any transaction fees or certain other fees paid by portfolio companies to a Manager or its Principals and other personnel ("**Supplemental Fees**"), although in some cases

such fees may not reduce the Management Fee or offset the Management Fee only with respect to a portion of the Supplemental Fees received. The Managers generally have discretion over whether to charge such fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation may give rise to conflicts of interest between the Funds, on the one hand, and the Managers on the other. Certain Partnership Agreements permit the relevant General Partner to waive or agree to reduce the Management Fee, and any waived or reduced portion of such Management Fee are treated by certain Partnership Agreements as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital contributions the General Partner would otherwise be required to contribute to the Fund and may accelerate (or delay) Investors' capital contributions. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner's Commitment, and the amount of such waived or reduced Management Fees has the potential to be significant.

The Managers may be paid Supplemental Fees from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund may only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant.

The Management Fee is generally payable quarterly or semi-annually, with substantially all amounts paid in advance, but partially in arrears. The Management Fee generally will be payable until all of a Fund's portfolio investments are distributed or sold, or until the General Partner's relationship with the relevant Fund is terminated for other reasons described in each Fund's Partnership Agreement. In addition, each Fund's General Partner will receive a carried interest from Investors in the relevant Fund(s) of up to 20% of all realized profits, generally subject to a preferred return, each as more fully described in the relevant Partnership Agreement. The carried interest distributed to a General Partner typically is subject to a potential giveback generally at the end of the life of the applicable Fund if the General Partner has received excess cumulative distributions.

For certain Funds, the General Partners and/or their affiliates are permitted to exempt certain persons from payment of all or a portion of Management Fees and/or carried interest, including the General Partner and any other person designated by the General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by a General Partner and/or its affiliates, or through private investment vehicles that co-invest with the Funds. For example, in instances where a Comvest professional or its affiliate invests in a Fund, such professional or its affiliate generally may be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Managers have the right to permit investors, affiliated with a Manager or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

As described more fully in the applicable Governing Documents, a Fund typically will pay all organizational and start-up expenses of the Fund (generally subject to a specified cap), and all fees, costs, expenses, liabilities and obligations relating to the Fund's and/or its subsidiaries' activities, investments and business (to the extent not borne or reimbursed by a portfolio company or a potential portfolio company), including all fees, costs,

expenses, liabilities and other obligations incurred in connection with or otherwise related or attributable to: (i) investigating, developing, negotiating, structuring, organizing, acquiring, financing, refinancing, studying, purchasing, originating (including attending industry and trade association meetings, conferences or events for purposes of soliciting, sourcing and evaluating actual or potential investment opportunities including related travel, lodging, meals, meetings or other events for portfolio companies and/or their personnel; costs of workspaces or shared spaces; costs of car services; after-hours meals or transportation; advance payments of estimated expense amounts; Cayman anti-money laundering costs; or expenses relating to hiring consultants or portfolio company personnel (e.g., headhunter fees, background checks or relocation expenses), taking public or private, monitoring, settling, hedging, valuing, appraising, rating, holding, winding up, liquidating and disposing of actual and prospective investments (subject to any reimbursement of such costs and expenses by actual and prospective portfolio companies, or capitalization of such payments and expenses in the purchase of investments); (ii) rendering financial, managerial, operational and other assistance to portfolio companies; (iii) computer software specific to the affairs of the Fund and strategy-related research and market data, including, without limitation, news and quotation equipment, hardware or software and any subscriptions to any periodicals, databases or other services; (iv) unconsummated Investments (including legal, accounting, auditing, insurance, travel (which may include travel in first class cabins and, in limited circumstances, private aircraft), consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses) ("**Broken Deal Expenses**") and, in the applicable General Partner's sole discretion, any Broken Deal Expenses that would have been allocated to co-investors had such proposed investment been consummated; (v) capital payments, interest and other expenses in respect of indebtedness for borrowed money, including, without limitation, financing fees, margin calls, up-front fees, pre-payment fees, maintenance fees, unused facility fees and other costs and expenses associated with negotiating, structuring, entering into and terminating any credit facility for borrowing by the Fund, any holding vehicles, special purpose vehicles, subsidiaries or affiliate of the Fund related to any actual or prospective investment; (vi) brokerage commissions and prime brokerage fees, custodial expenses, agent bank and other bank service fees, finders fees and other investment costs, including costs and expenses related to appointments or changes of a depository (including any depository appointed pursuant to the EU Alternative Investment Fund Managers Directive (the "**AIFMD**")), and Swiss representatives and Swiss paying agents appointed pursuant to Swiss Collective Investment Schemes Act (as amended) and its implementing ordinance; (vii) the preparation, distribution or filing of Fund-related or investment-related financial statements, side letter elections, other reports, tax returns, tax estimates, Schedule K-1s, Solvency II reporting (or other similar regulations) or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by AIFMD), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (viii) legal counsel, tax advisors, auditors, accountants, administrators, custodians, depositories, rating agencies, consultants (including operating advisors, executive partners, OAG (as defined below) or those engaged for similar functions), compliance firms, information technology providers and other outside advisors or service providers; (ix) holding annual, periodic and special meetings of the Fund, a parallel fund and any feeder vehicles or otherwise holding meetings and conferences of the Fund's limited partners, parallel fund limited partners and feeder vehicle limited partners, including, without limitation, set-up, room and board, dining, entertainment, other travel-related expenses, honorarium, speaker fees and other meeting-related expenses, whether individually or as a group; (x) holding annual, periodic and special meetings, activities and other proceedings of the Fund's advisory committee (including any costs and expenses incurred by the advisory committee members, other representatives of the Fund's limited partners, parallel fund limited partners and feeder vehicle limited partners appointing such advisory committee members, permitted observers, representatives of the Fund's General Partner and other persons in attending or otherwise participating in meetings of the advisory committee); (xi) related to the Fund's compliance with any applicable law, rule or regulation associated with the activities of the Fund or the activities of the applicable General Partner or other Manager in respect of the Fund (including all expenses and costs associated with the reporting, filings or other ongoing compliance requirements (other than expenses and costs of the initial notifications, filings and compliance that are treated as organizational expenses) arising pursuant to AIFMD), including legal fees and



expenses of outside counsel with respect thereto; (xii) registration, domicile, ‘substance’ or presence of the Fund, its General Partner, Comvest or its affiliates in jurisdictions in which the Fund maintains subsidiary acquisition vehicles, holding vehicles or other special purpose entities of the Fund or its subsidiaries formed to make, hold or otherwise facilitate investments directly or indirectly on behalf of the Fund; (xiii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance expenses (including insurance to protect the Fund, its General Partner, any other applicable Manager, their respective officers, directors, employees, partners, managers and members, the Fund’s limited partners, any parallel fund, any feeder vehicle, and members of the Fund’s advisory committee and its limited partners, parallel fund limited partners and feeder vehicle limited partners that they represent in connection with the activities of the Fund); (xiv) any audit, investigation, administrative or other proceedings, litigation and threatened litigation and proceedings relating to the business or activities of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person or entity pursuant to the applicable Partnership Agreement and advancing fees, costs and expenses incurred by any such person or entity in defense or settlement of any claim that may be subject to a right of indemnification pursuant to such Partnership Agreement); (xv) liquidation of the Fund, any parallel funds, any feeder vehicles and any other Fund-related entities; (xvi) any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund (including holding vehicles, special purpose vehicles, subsidiaries and other affiliates), or the applicable Managers (excluding taxes on net income payable by the Managers in respect of the Management Fee), except to the extent that the Fund is reimbursed therefor by a reimbursing partner or such taxes or other amounts specified in this clause are treated as having been distributed to the applicable partners pursuant to the applicable Partnership Agreement; (xvii) any extraordinary expense of the Fund, including fees and expenses associated with any tax or other audit, investigation, proceeding, regulatory matter, settlement or review of the Fund, including, without limitation, any changes to the management structure and operation of the Fund and the terms of the applicable Partnership Agreement, the investment management agreement and any agreement with any other provider of services to or in respect of the Fund as the applicable General Partner or other Manager that the General Partner considers to be necessary or desirable either to comply with the provisions of AIFMD or seek to ensure that the management of the Fund are not subject to the provisions of AIFMD, or arising from any material change in the legal, tax or regulatory system in which the Fund operates (provided that such changes or amendments are not primarily for the benefit of the General Partner or any other Manager); (xviii) filing, title, transfer, registration and other similar fees and expenses; (xix) printing, communications, marketing and publicity; (xx) any activities with respect to protecting the confidential or non-public nature of any information or data; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the applicable General Partner and related entities and any alternative investment vehicle, including the preparation, distribution and implementation thereof; (xxii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner of its interest in the Fund; and (xxiii) all other expenses properly chargeable to the activities of the Fund and their holding vehicles, structuring vehicles and subsidiaries. In the event that a transaction in which a co-investment was planned but not consummated, the Managers will generally arrange for the co-investors that have irrevocably agreed to participate in such transaction (but not potential co-investors that had not irrevocably agreed to participate) to share in the Broken Deal Expenses. However, certain co-investors that participate because such persons will influence post-closing portfolio company performance and the Managers wish to align the interests of such persons with those of the applicable Fund (such as members of the post-closing management team for the portfolio company, but excluding in all cases Comvest employees) generally will not share in Broken Deal Expenses. In addition, a Fund will also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Managers and/or its affiliates. To the extent brokerage fees are incurred, they will be incurred by the applicable Fund in accordance with the general practices set forth in Section 9 below.

As described in the relevant Partnership Agreement, a Manager will generally bear the normal and recurring

operating and administrative expenses of the Manager, including, but not limited to, compensation of the Manager's professional personnel (although a portfolio company may pay (or a Fund may reimburse) a Manager and/or its associates in the event that personnel of the Manager and/or its associates serve as employees of or provide services in the ordinary course to a portfolio company and such compensation generally would not offset the Management Fees) and fees and expenses for administrative services, office space and facilities.

Principals or employees of Comvest have historically received a portion of the carried interest or other compensation received by Comvest or its affiliates. Additionally, as further described herein and in the applicable Governing Documents of each Fund, it is the Managers' practice to retain certain operating partners or other personnel affiliated with Comvest to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. In particular, Comvest has relationships with "Executive Partners," who are seasoned executives with specific experience in the portfolio company's industry; help in forming the investment theses, supporting industry-informed deal origination, and conducting business diligence; and often take a management or board role in a portfolio company and will be active in post-closing oversight. Executive Partners may be put on retainer (paid for by the applicable Funds) with Comvest and generally will receive compensation and other amounts for their services, which may include co-investment opportunities, and cash consulting fees, and such amounts will not offset the Management Fee in any manner. Comvest also has relationships with the owners and employees of the consulting firm Operating Advisory Group, L.L.C. ("OAG"), the initial members of which Comvest recruited to found OAG and who consult closely with Comvest's portfolio companies. Operating partners, including OAG, generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. The Managers seek to align the interests of operating partners with those of those of the Funds by having them participate in the equity appreciation of portfolio companies. Such participation is generally as part of the management equity pool or as a share of the applicable Fund's interest in the portfolio company. Operating partners also receive other forms of compensation and other amounts, including cash consulting fees and expense reimbursement. No such amounts paid to operating partners will offset the Management Fee, though the Managers may, from time to time, reduce the Supplemental Fees they receive from the applicable portfolio company in connection with some or all amounts paid to operating partners. No Comvest employee or affiliate, including the Funds, has an economic interest in operating partners or shares in their consulting fees (although Comvest Group Holdings has provided OAG with a revolving line of credit for working capital, financial reporting services, and office space for certain OAG employees). The use of operating partners and certain consultants subjects the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below.

It is expected that any similar future Private Investment Funds will have a similar fee structure.

### **Section 3. Performance-Based Fees and Side-By-Side Management**

As discussed under Section 2 ("Fees and Compensation") above, the relevant General Partner or its affiliates receive a carried interest allocation on certain realized profits in the Funds. A performance-based allocation is an allocation representing an asset manager's compensation based on a percentage of net profits of the fund being managed. The existence of performance-based compensation has the potential to create an incentive for a Manager to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Comvest generally considers performance-based compensation to better align its interests with those of its investors. In addition, the Principals have made significant investments in each Fund, which the Managers believe further aligns, to some extent, the interests of the Managers with those of the Investors. Also, to the extent that personnel of the Managers are assigned varying percentages of carried interest

from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. The Managers seek to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by the Managers or any personnel.

Comvest advises a private investment vehicle formed to allow employees of Comvest and its affiliates, as well as certain other persons, to invest in portfolio investments made by Comvest IV. Such private investment vehicle does not charge Management Fees and is not subject to carried interest. However, Comvest does not believe this creates a conflict of interest with respect to the Funds. Comvest manages a vehicle with similar objectives to invest in portfolio investments in CSG and Comvest V. See Section 5, "Methods of Analysis, Investment Strategies and Risk of Loss," for further discussion of conflicts of interest.

#### **Section 4. Types of Clients**

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

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

The Funds generally have a minimum investment amount in the range of \$1 million to \$5 million for third-party Investors, as set forth in the relevant Memorandum, which minimum investment amount may be waived by the relevant General Partner, but generally will not be less than \$100,000 (or other amounts as specified by local laws and regulations). Interests in the Funds generally are offered and sold solely to qualified purchasers or qualified knowledgeable Comvest personnel.

#### **Section 5. Methods of Analysis, Investment Strategies and Risk of Loss**

The Managers oversee funds that invest in two primary strategies, a control-oriented strategy and a lending strategy. The Managers oversee a third strategy, Strategic Growth, that may invest in non-control transactions and other instruments that fall outside the current size, control or risk criteria of the control and lending strategies.

##### **Control Strategy**

With respect to control strategy funds, the Managers' primary strategy includes partnering with proven operating executives and investing in businesses where the application of strategic support, operational processes and financial controls, and more professional management can bring fundamental improvements to businesses and

create value. Comvest transactions generally fall into three transaction types:

- **Underperforming.** Underperforming companies are generally profitable companies but are underperforming relative to their potential. These companies typically have strong competitive positions, but have not been able to execute on clear growth or cost reduction opportunities.
- **Turnarounds.** Turnaround companies are generally companies experiencing severe operational problems and are often generating negative EBITDA and/or cash flow. To turn these companies around, Comvest focuses on working with both existing management, as well as Comvest's operating resources, to develop a detailed and thorough turnaround plan.
- **Transitional Growth.** Transitional growth companies are generally companies that are performing well but could require a significant transformation in order to continue or accelerate their success. These companies typically are founder or entrepreneur-owned and have not made all the necessary investments in infrastructure or talent that could be required to achieve full potential.

## **Lending Strategy**

With respect to the lending strategy funds, Comvest's strategy is to provide financing to middle-market companies, primarily in the United States of America, that meet well-defined criteria and exhibit strong cash flow characteristics, sustainable enterprise values, and substantial tangible assets relative to the investment amount. Comvest primarily provides senior secured term loans to growth-oriented, middle-market businesses and structures customized financing solutions that provide borrowers with flexible senior and junior secured term loans. Term loans are generally 3-5 years and may include an equity component, either through warrants or minority equity co-investments that may provide potential upside benefits beyond a structured return. In private company investments, Comvest generally expects to obtain put rights that allow the fund to sell all or a significant portion of its equity participation back to the borrower at defined intervals, often at a predetermined price. Comvest generally expects to obtain a first lien or second lien on certain key assets, however, Comvest may also provide unsecured subordinated debt or equity, including equity co-investments in preferred and common stock and warrants.

## **Strategic Growth Strategy**

Strategic Growth may invest in control and non-control transactions and other instruments that fall outside the current size, control or risk criteria of the control and lending strategies.

*There can be no assurance that the Managers will achieve the investment objectives of the Funds, and a loss of investment is possible.*

## **Risks of Investment**

A Fund and its Investors bear the risk of loss that the applicable Manager's investment strategy entails. The risks involved with the Manager's investment strategy and an investment in a Fund are detailed in Fund's Governing Documents. In general, these risks include, but are not limited to:

**Business Risks.** A Fund's investment portfolio will consist primarily of securities issued by privately, and, in some cases, publicly held companies, and operating results in a specified period will be difficult to predict.

Investment in private, middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and a Fund will rely on its Manager's and its affiliates' ability to obtain, through its own diligence and/or through third-party diligence, adequate information to evaluate the potential returns from investing in these companies. If the Manager is unable to uncover all material information about these companies, the General Partner may not make a fully informed investment decision, and a Fund may lose money on its investments. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the obligors of investments that a Fund holds and, in turn, on such Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle-market companies therefore involve a high degree of business and financial risk, which can result in substantial losses.

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

*Investment in Junior Securities.* The securities in which any Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Except in cases in which a Fund purchases secured debt securities, there generally will be no collateral to protect an investment once made. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the relevant Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect such Fund's returns.

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

*Competition for Investment Opportunities.* Each Fund operates in a highly competitive market for investment opportunities. The Funds will compete for investments with various other investors, such as, depending on the investment, other public and private funds, commercial and investment banks, collateralized loan obligation ("CLO") funds, business development companies, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. The lending, investment and securities industries, the various financial markets in which the applicable Manager participates, and the varied strategies and techniques engaged in by such Manager are extremely competitive and each involves a high degree of risk. The applicable Manager and the Fund will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Other funds may have investment objectives that overlap with the Fund, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to the Fund, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships.



*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, the Fund's Investors may be required to pay annual Management Fees during the Fund's investment period generally based on the entire amount of their Commitments to such Fund and other expenses as set forth in the relevant Partnership Agreement.

*Dynamic Investment Strategy.* While the Managers generally intend to seek attractive returns for the Funds primarily by employing the strategy and methods described herein, the Manager of a particular Fund may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). Any Manager may pursue investments outside of the industries and sectors in which it has previously made investments or has internal operational experience.

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

*Illiquidity.* An investment in a Fund should be viewed as illiquid and requiring a long-term commitment with no certainty of return. The market value of investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the portfolio companies. In addition, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on a Fund's ability to dispose of them. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the relevant Manager) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

*Realization Timeline.* Investments may take several years from the date of the initial investment to reach a state of maturity when realization of such investments can be achieved. In addition, there can be no assurances that any distributions of current income will be made due to various factors, including incurrence of expenses and liabilities, potential non-performance or write-downs of Fund investments, paying down outstanding financing or changes in the market for debt obligations. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the relevant Manager) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments. Additionally, the reinvestment and recycling of proceeds (if permitted by the relevant Governing Documents) will further delay the distribution of current income.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt

to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the relevant Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to such Fund or appreciation of its investments. In a down market, leverage is likely to accelerate and magnify declines in the value of the Fund's investments. The use of leverage exposes a Fund to additional risk including (i) greater losses from investments than would otherwise have been the case had the Fund not used leverage to make the investments; (ii) collateral requirements that may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investment. In the event of a sudden drop in value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Fund. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time a Manager determines that it is desirable for the relevant Fund to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guarantee indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Managers and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders of such Fund. The terms of any debt incurred by a Fund may require that the lender be repaid on a priority basis prior to any distributions by such Fund to its investors. Any such lender may also hold liens granted by the Fund on its assets. In the event of an unremedied default by the Fund under any such arrangement, a lender may have the right to receive and take possession of, and then to liquidate, its pro rata interest of each asset of the Fund.

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

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

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

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

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

*Capital Structure Leverage.* A Fund's investments are expected to include businesses whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Leverage often imposes restrictive financial and operating covenants on a business, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of such investments will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the condition of a company or its industry.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Fund to obtain favorable financing for investments, the Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the United States and global economies. Such marketplace events also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Limited Transferability of Fund Interests.* There will be no public market for the interests of any Fund, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreements and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.



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

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Funds will be vested entirely with the relevant Manager(s), and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals and the Managers' investment committee members. The loss or reduction of service of one or more of the Principals or investment committee members could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the relevant Fund and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose a conflict of interest in the allocation of the time of the Principals. The Principals and members of the Managers' investment team are under no contractual obligation to remain with the Managers for all or any portion of the term of the relevant Fund. The departure of any or a significant number of the Principals or members of the Managers' investment team could have a material adverse effect on a Fund's ability to achieve its investment objective. Investors in a Fund generally have no right or power to take part in the management of such Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the relevant Manager. In addition, certain changes in the relevant Manager or circumstances relating to such Manager may have an adverse effect on the Fund or one or more of its portfolio companies, including potential acceleration of debt facilities.

Although the relevant Manager will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's board of directors and management team to operate the portfolio company on a day-to-day basis. Although the Managers will seek to negotiate appropriate rights and controls and generally intend to invest on behalf of each Fund in companies with strong management or recruit strong management to such companies, there can be no assurance that that appropriate control and other rights will be secured in negotiations and/or the existing management of such companies will continue to operate a company successfully.

*No Investor Participation in Management.* Investors generally will have no right or power to take part in the management of a Fund, and control over the operation of the Fund will be vested with its General Partner. The loss or reduction of service of one or more of a Fund's Key Persons or other personnel could have a material and adverse effect on that Fund's ability to realize its investment objectives and the Fund's future profitability.

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

*In-House Models.* In addition to other analytical tools, the Managers and their affiliates utilize in-house

financial models to evaluate prospective investments, and monitor and value existing holdings. The accuracy and effectiveness of these models cannot be guaranteed.

*Limited Access to Information.* A Fund's limited partners' rights to information regarding the Fund are set forth, and strictly limited, in the applicable Partnership Agreement. In particular, it is anticipated that the applicable Managers may obtain certain types of material information from portfolio companies that will not be disclosed to Fund limited partners because such disclosure is prohibited for contractual, legal or similar obligations outside of the Managers' control. Decisions by the applicable Manager to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest may have difficulty in determining an appropriate price for such interest. Decisions to withhold information also may make it difficult for limited partners to monitor the applicable Manager's performance.

*Tax Information Exchange Regimes: FATCA Withholding Tax on Certain Non-U.S. Entities.* Numerous jurisdictions have enacted or have committed to enact legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The United States Foreign Account Tax Compliance Act ("FATCA") aims to combat tax evasion by the United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. One or more of these information exchange regimes are likely to apply to each Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning such Fund's limited partners (including identifying information and amounts of certain income allocable or distributable to them). A Fund limited partner's failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from such Fund and/or alternative investment vehicles or other potential remedies.

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

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such Fund to increase its participation in a successful portfolio company, or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Investments in Middle-Market Companies.* Investment in private, middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and a Fund will rely on the Managers' and their affiliates' ability to obtain, through its own diligence and/or through third-party diligence, adequate information to evaluate the potential returns from investing in these companies. If the Managers are unable to uncover all material information about these companies, the applicable Manager may

not make a fully informed investment decision, and the Fund may lose money on its investments. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of a Fund's portfolio companies and, in turn, on the Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle-market companies therefore involves a high degree of business and financial risk, which can result in substantial losses and, accordingly, should be considered speculative.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

A Fund's investments may be made in currencies other than the currency in which such Fund's accounts are maintained. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the currency in which a Fund's accounts are maintained. The relevant Manager may (but is not obligated to) endeavor to manage currency exposures using hedging techniques where available and appropriate. A Fund may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis, or that such hedging arrangement will achieve the desired effect.

Additional risks include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Hedging Arrangements.* A Manager may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The applicable Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("**OTC**") contexts, including futures, forwards, swaps, options and other instruments. No risk control system is fail-safe, and there can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

Unless otherwise specified in the applicable Partnership Agreement, a Fund will be permitted to engage in certain hedging transactions, which are intended to reduce the Fund's interest rate or currency exposure; *however*, there is no obligation to enter into any such transactions. Any hedging transaction in which a Fund enters may be imperfect, leaving the Fund exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that a Fund will be able to close out a position when deemed advisable by its Manager. In addition, a Fund's portfolio companies may enter into derivative

transactions which may expose the Fund to additional risk.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks.

Certain hedging arrangements may create for a Manager and/or one of its affiliates a registration obligation with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or required it to comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulatory imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Significant Adverse Consequences for Default.* The Partnership Agreements provide for significant adverse consequences in the event an Investor defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting Investor may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of time set forth in the applicable Governing Documents, without interest.

*Dilution.* Investors admitted or who increase their commitments to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Investors in such investments. Although any such new Investor will be required to contribute its pro rata share of previously-made capital contributions, there can be no assurance that such contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

*General Partner's Carried Interest.* The fact that a Manager's carried interest is based on a percentage of net profits may create an incentive for such Manager to cause the relevant Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

*Transfer by General Partner.* To the extent the relevant General Partner, its partners, the Principals and/or their respective affiliates commit to make an investment in a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement and applicable law.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject such Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executive and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

*Non-controlling Investments.* Certain Funds may principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect such Fund's position in such portfolio companies. However, the Manager of such Funds may seek appropriate creditor and shareholder rights to help protect such Fund's interest. A Fund may, through the exercise of warrants, convertible debt or otherwise, hold meaningful minority equity stakes in publicly and privately held companies. In addition, during the process of exiting investments or otherwise, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, minority equity stakes that a Fund may hold will have neither the control characteristics of majority equity stakes nor the valuation premiums accorded majority or controlling equity stakes. Where a Fund holds a minority stake, it may

be more difficult for such Fund to liquidate its interests than it would be had such Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of such Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

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

*Limitation of Recourse and Indemnification.* The Partnership Agreement will limit the circumstances under which the Manager and others can be held liable to the Fund or the Limited Partners. As a result, Limited Partners may have a more limited right of action in certain cases than they would in the absence of such a limitation. In addition, the Fund will be required to indemnify, among others, the Manager and their respective partners, members, managers, agents and other affiliates for liabilities incurred in connection with the affairs of the Fund (including attorneys' fees and any other litigation-related costs). The indemnification obligations of the Fund would be payable from the assets of the Fund, including the unused Capital Commitments of the Limited Partners. If the assets of the Fund is insufficient to pay such indemnification obligations, the Limited Partners in the Fund may be required under certain circumstances to return distributions previously made to them in order to satisfy such obligations. Such indemnification obligations could materially impact the returns to Limited Partners.

*Delayed Schedules K-1.* A Fund may not be able to provide final Schedules K-1 to its Investors for any given fiscal year until after April 15 of the following year. The relevant General Partner will endeavor to provide such Investors with final Schedules K-1 or with estimates of the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedules K-1 may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedules K-1. Investors typically are required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective Investor should consult with its own adviser as to the advisability and tax consequences of an investment in any Fund.

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

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic



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

In the event that the global credit markets deteriorate and it becomes more difficult for investment funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the United States and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA").

To the extent Funds are actively marketed to investors domiciled or having their registered office in the EEA: (i) such Funds and their Managers are subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the relevant Funds incurring additional costs and expenses; (ii) such Funds and/or the applicable Manager(s) are subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the relevant Funds incurring additional costs and expenses or otherwise affect the management and operation of such Funds; (iii) the applicable Manager(s) may be required to make detailed information relating to such Funds and their investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of each relevant Fund in relation to EEA portfolio companies including, in some circumstances, such Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for each relevant Fund to raise its targeted amount of commitments.

In the future, it may be possible for non-EEA alternative investment fund managers ("AIFMs") to market an alternative investment fund ("AIF") within the EEA pursuant to a pan-European marketing "passport," instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF's assets; and the appointment of legal representatives and an independent depositary to hold assets.

Certain EEA member states have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, the relevant Manager may not seek to market interests in a Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in such Fund. Alternatively, if the Managers sought to comply with the requirements needed to use the passport, this could have other adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing a Fund and their investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the applicable Manager's ability to recruit and retain these personnel.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

*Business and Regulatory Risks of Private Funds and Financial Services Industry.* The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") has imposed significant regulations on almost every aspect of the U.S. financial services industry. Among other things, the Dodd-Frank Act requires private investment fund advisers to register with the SEC, under the Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies, which may add costs to the legal, operations and compliance obligations of the Managers and the Funds and increase the amount of time that the Managers spend on non-investment-related activities. Such oversight and regulation may cause a Fund to incur additional expense, may divert the attention of the Managers and may result in fines if a Fund is deemed to have violated any applicable regulations. Increased regulation may also increase the cost of acquiring, holding or divesting portfolio investments and the cost of operating a Fund. Additional regulation could also increase the risk of third-party litigation. Under the applicable Partnership Agreement, each Fund will generally be responsible for indemnifying its Managers and related parties for costs they may incur with respect to such litigation not covered by insurance.

Importantly, many of the provisions of the Dodd-Frank Act are subject to further rulemaking and to the discretion of regulatory bodies, such as the Financial Stability Oversight Council. In addition, numerous non-U.S. governments have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and the registration of, private investment funds.

This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets and, in particular, the private investment fund industry. Many of the regulators to which a Fund, its Managers or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of

applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against a Fund, the Managers or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm a Fund, its Managers or their respective affiliates' reputations, which may adversely affect a Fund's investment performance by hindering their ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the United States and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations, as the United States and the global economy continues to struggle to improve. Any such events or changes could occur during a Fund's term and may adversely affect the Fund and their ability to operate and/or pursue their investment strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance.

The Managers cannot predict whether new legislation or regulation (including new financial and tax measures, laws and regulations) will be enacted by legislative bodies or governmental agencies, nor can either of them predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have an adverse effect on a Fund's investment performance. In summary, regulation generally as well as regulation more specifically addressed to the private investment fund industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting of investments in portfolio companies, the profitability of enterprises and the cost of operating a Fund. There can be no assurance that any such enhanced scrutiny will not have an adverse impact on a Fund or otherwise impede a Fund's activities.

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

**Regulatory Restrictions on Investments.** Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Managers or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

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



objectives.

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

*Valuation of Investments.* Generally, the relevant Manager will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. When estimating Fair Value, the relevant Manager will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. There can be no assurance that the valuation decision of a Manager with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such Manager may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments. The exercise of discretion in valuation by a Manager may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

*Litigation.* In the ordinary course of business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of such Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the relevant Manager's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Changes in Cybersecurity and Data Protection Laws and Regulations.* The adoption, interpretation and application of consumer and data protection laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. U.S. federal, state and non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy. Industry organizations also regularly adopt and advocate for new standards in this area. Foreign data privacy regulations, such as the EU's Data Protection Directive (Directive 95/46/EC), and the country-specific regulations that implement Directive 95/46/EC as well as the EU's General Data Protection Regulation (Regulation 2016/679), also govern the processing of personally identifiable data and may be stricter than U.S. laws. The failure of portfolio companies, their third-party partners and their customers to comply with applicable laws and regulations could negatively impact the Manager, the Fund and/or their portfolio companies.

**Cybersecurity Risks.** The Managers, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and/or their limited partners, despite the efforts of the Managers and their service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their limited partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Managers, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Managers' systems to disclose sensitive information in order to gain access to the Managers' data or that of the Funds' limited partners. A successful penetration or circumvention of the security of the Managers' systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Funds, the Managers and/or the Managers' service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar operational and technology risks are also present for portfolio funds and underlying operating company holdings, which could have material adverse consequences for such portfolio funds and underlying operating companies, and may cause the Fund's investments to lose value.

**Changes in Cybersecurity and Data Protection Laws and Regulations.** The adoption, interpretation and application of consumer and data protection laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. U.S. federal, state and non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy. Industry organizations also regularly adopt and advocate for new standards in this area. Foreign data privacy regulations, such as the EU's Data Protection Directive (Directive 95/46/EC), and the country-specific regulations that implement Directive 95/46/EC as well as the EU's General Data Protection Regulation (Regulation 2016/679), also govern the processing of personally identifiable data and may be stricter than U.S. laws. The failure of portfolio companies, their third-party partners and their customers to comply with applicable laws and regulations could negatively impact the Manager, the Fund and/or their portfolio companies.

### **Lending Strategy Specific Risks**

**Volatility of Leveraged Loan and Credit Markets.** Significant risks for a Fund and its limited partners exist as a result of the potential for disruptions in the credit markets. These risks include, among others, (i) the likelihood that the Fund may find it more difficult to sell any of its investments in the secondary market, thus rendering it more difficult to dispose of such investments if and when it desires to sell them, (ii) the possibility that the price at which investments can be sold by the Fund will have deteriorated from the cost of such investment to the Fund, (iii) the possibility of accelerated prepayments of attractively priced (i.e., the all-in yield), structured or performing investments as a result of increased liquidity and competition in the middle-market private debt asset class driven by economic conditions, relative performance, monetary policy or other governmental action or other factors and (iv) the impact of adverse economic conditions on the obligors of the Fund's investments. These risks may affect the returns, if any, to the Fund's limited partners or the ability of the Fund to return any or all of its limited partners' capital contributions.

Disruptions in the credit markets may reduce opportunities for a Fund to make investments, and may also heighten refinancing risk in respect of maturing Fund investments. Any events that cause a deterioration in loan performance generally may affect the returns, if any, to a Fund's limited partners or the ability of the Fund to

return any or all of its limited partners' capital contributions.

The bankruptcy or insolvency of a major financial institution may have a material adverse effect on a Fund, particularly if such financial institution is the administrative agent of an investment or is otherwise the counterparty to a contract with the Fund (including a hedging-related contract). In addition, the bankruptcy, insolvency or financial distress of one or more additional financial institutions, or one or more sovereigns, could trigger additional disruptions in the global credit markets or the global economy which could have a material adverse effect on a Fund and its investments.

*Nature of Investments.* A Lending Strategy Fund will invest primarily in secured loans and other structured financings, including convertible debt, equity linked notes, private investments in public equity, cash flow-based loans, asset-based loans and similar investments, of middle-market companies. The value of such securities is predicated on the underlying cash flow and assets of such companies, including the value of goodwill, each of which may be subject to greater volatility, illiquidity and risk than large capitalization companies. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. A Lending Strategy Fund generally intends to obtain security interests in assets of its portfolio companies, but the protection obtained through such interests may be inadequate to return all capital invested by the Fund, especially in cases in which the loan is primarily based on the portfolio company's cash flow. The value of the investment may change over the life of an instrument. Interest rate changes may also affect the value of a debt instrument directly (particularly in the case of instruments the rates of which are adjustable) and indirectly (particularly in the case of fixed rate securities). 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. The companies and securities in which the Fund will invest generally will not be rated by a credit rating agency.

*Loan Origination.* From time to time, a Lending Strategy Fund expects to offer participations in and/or assignments or sales of loans (or interests therein) to certain affiliated fund or accounts of the Managers that the Fund has originated or purchased, generally after the expiration of a required holding period at an arm's-length price determined as of the end of such holding period. In determining the target amount to allocate to a particular loan origination, the Fund will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to such funds or accounts. To the extent that the Fund is not successful in consummating any such participation, assignment or sale, and during any applicable holding period, the Fund will be forced to hold such excess until such time as it can be disposed of, during which time the Fund may be "overweighted" with respect to a particular borrower.

*Nature of Investment in Senior Debt.* A Lending Strategy Fund's investments will primarily include first lien and, to a lesser extent, junior secured debt. Such debt may (i) include term loans and revolving loans, (ii) pay interest at a fixed or floating rate and (iii) be acquired by way of purchase or assignment in the primary and secondary markets. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the legal documentation with respect to the debt obligation, although its rights can be more restricted than those of the assigning institution.

The factors affecting an issuer's first and second lien loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer. Issuers of first lien loans may have two tranches of first lien debt outstanding, each with first liens on

separate collateral. Second lien loans are subordinate in right of payment to one or more senior secured loans of the related issuer and therefore are subject to additional risk that the cash flow of the related issuer and the collateral securing the loan may be insufficient to repay the scheduled payments to the Fund after giving effect to any senior secured obligations of the related issuer. Second lien senior loans are also expected to be more illiquid than first lien senior secured loans for this reason. Moreover, there is less likelihood that the Fund will be able to sell participations in second lien loans that it originates or acquires, which would expose the Fund to higher risk with respect to the issuer.

Senior secured credit facilities may be syndicated to a number of different financial market participants. The documentation governing these facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions with respect to the outstanding loans, such as waivers, amendments or the exercise of remedies. In addition, voting to accept or reject the terms of a credit restructuring pursuant to a Chapter 11 plan of reorganization is usually done on a class basis. As a result of these voting regimes, a Fund may not have the ability to control any decision as it relates to an amendment, waiver, exercise of remedies, restructuring or reorganization of an investment.

Further, senior secured loans are subject to other risks and can cause unsecured creditors to seek remedies to limit a Fund's potential recovery from such investments, including (i) the possible invalidation of a debt or lien as a "fraudulent conveyance"; (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) "lender liability" claims by the issuer of the obligations; (v) environmental liabilities that may arise with respect to collateral securing the obligations; (vi) recharacterization claims in which certain creditors may seek to have the Fund's debt investments recharacterized as equity and therefore subordinate the Fund's claims to such creditors' claims; and (vii) designating the vote (i.e., ignoring the customary class vote system) under a Chapter 11 plan of reorganization in which lenders are entitled to vote as a class.

*Nature of Investment in Unitranche Debt.* A Lending Strategy Fund may also invest in unitranche debt, which is an instrument that combines senior secured debt and subordinated debt into a single debt instrument. Unitranche loans are subject to similar risks associated with loans in general described above under "Leveraged Investments" and "Nature of Investment in Senior Debt." In addition, because unitranche loans are a newer form of debt instrument and they have not been fully evaluated through a credit cycle, they may subject the Fund to risks that cannot be fully identified at this time. Further, the complex terms of unitranche debt have not yet been widely tested in bankruptcy and workout situations. As a result, default and loss expectations are more difficult to estimate with respect to unitranche debt as compared to other forms of debt instruments such as senior loans and subordinated debt instruments. In particular, in a bankruptcy proceeding involving a unitranche loan, there is a risk that the entire unitranche loan will be viewed as a single secured claim. If the collateral is insufficient to secure the entire unitranche loan, it may be deemed as an unsecured claim in its entirety. The untested nature of unitranche loan arrangements also exposes the Fund to a heightened risk of litigation among the lender group in the event of bankruptcy.

*Unfunded Loans.* A Lending Strategy Fund's investments may be comprised of loan commitments that are unfunded at the time of investment. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender may have assumptions as to when a company in which the Fund invests may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not prove as attractive an

investment as originally anticipated. Further, any failure to advance requested funds to a company in which the Fund invests could result in possible assertions of offsets against amounts previously lent.

*Prepayment Risk.* Loans are generally prepayable in whole or in part at any time at the option of the obligor at par plus accrued and unpaid interest thereon, and occasionally plus a prepayment premium. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. When credit market conditions become more attractive to obligors, the rate of prepayment of a Fund's assets would be expected to increase as obligors refinance to take advantage of such improved conditions, which may negatively impact the Fund. Additionally, a Fund may be unable to reinvest any prepaid loan amounts into other similarly situated investment opportunities or at all.

*Loan Syndication.* A Fund may originate loans with the intention of selling a portion of the Fund's interests in such loans to co-investors and/or third parties. In the event that a Fund does not or is unable to syndicate a loan or loans, the Fund may be forced to retain larger amounts of such loan or loans than originally intended. In such event, the Fund's investment portfolio could become significantly concentrated in a particular loan or loans. In addition, the Managers may receive fees as a result of the loan syndication. Unlike Supplemental Fees, which might be shared with the applicable Fund through reductions or offsets against the Management Fees, syndication fees typically are retained by the Managers.

*Risk of Borrower Default.* The return of principal of a Fund's loans will depend in large part on the creditworthiness and financial strength of the borrowers of such loans, all or a portion of which borrowers may not be cash flow positive and/or may not have generated substantial revenue at the time of the Fund's investment therein. The Managers intend to monitor on an ongoing basis the creditworthiness of borrowers of loans in which a Fund will invest. If there is a default by the borrower under any of the Fund's loans, the applicable Managers will under most circumstances have contractual remedies pursuant to the loan agreements, potentially including the sale of collateral. However, exercising such contractual rights may involve delays or costs, and any available collateral may prove to be unsaleable or saleable only at a price less than the loan amount, which could result in a loss to the Fund. A default by the borrower under any of a Fund's loans may result in the Fund being unable to liquidate such loans prior to the termination of the Fund (including in connection with any necessary restructuring of such loans). As a result, upon the termination of a Fund, its limited partners may receive in-kind distributions in respect of such loans and may be unable to protect their interests effectively.

*Priority of Repayment.* The characterization of an investment as senior debt or senior secured debt does not mean that such debt will necessarily have repayment priority with respect to all other obligations of a borrower. Borrowers may have, and/or may be permitted to incur, other debt and liabilities that rank equally with or senior to the senior loans in which a Fund invests. If other indebtedness is incurred that ranks in parity in right of payment or proceeds of collateral with respect to senior loans in which a Fund invests, the Fund would have to share on an equal basis any distributions with other creditors in the event of a liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower. Where a Fund holds a first lien to secure senior indebtedness, the borrowers may be permitted to issue other senior loans with liens that rank junior to the first liens granted to the Fund. The intercreditor rights of the holders of such other junior lien debt may, in any liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower, affect the recovery that the Fund would have been able to achieve in the absence of such other debt.

Even where the senior loans held by a Fund are secured by a perfected lien over a substantial portion of the assets of a borrower and its subsidiaries, the borrower and its subsidiaries will often be able to incur a substantial amount of additional indebtedness, which may have an exclusive lien over particular assets. For example, debt and other liabilities incurred by non-guarantor subsidiaries of borrowers will be structurally senior to the debt held by a Fund. Accordingly, any such debt and other liabilities of such subsidiaries would, in the event of liquidation, dissolution, insolvency, reorganization or bankruptcy of such subsidiary, be repaid in full before



any distributions to an obligor of the loans held by the Fund. Furthermore, these other assets over which other lenders have a lien may be substantially more liquid or valuable than the assets over which a Fund has a lien. A Fund's investments in second-lien secured debt would further compound the risks described in this paragraph.

*Enforcement Delays.* The terms of a Fund's investments may provide that the Fund is not able to bring an enforcement action against the relevant borrower until a prescribed period after a default by that borrower has elapsed. The financial strength of the borrower may, however, continue to deteriorate during this standstill period, thereby potentially affecting the Fund's ability to recover all (or any) of their investment.

*Fraud, Misrepresentation or Omission by a Borrower.* The value of an investment made by a Fund may be affected by fraud, misrepresentation or omission on the part of the borrower to which the loan relates, by parties related to the borrower or by other parties to the loan (or related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the collateral underlying the loan in question or may adversely affect a Fund's ability to enforce its contractual rights under the loan or for the borrower of the loan to repay the loan or interest on it or its other debts.

*Loan Participations.* A Fund may invest in loans acquired through assignment or participations. In purchasing a participation, a Fund may only have a contractual relationship with the selling institution, and not the borrower. The Fund generally will have no right directly to enforce compliance by the borrower with the terms of any such loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Fund may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. In the event of the insolvency of the selling institution, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Fund may be subject to the credit risk of the selling institution as well as of the borrower.

*Creation and Perfection of Security Interests.* Although a Lending Strategy Fund will focus primarily on senior secured loans, the collateral and security arrangements in relation to such loans will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by a borrower under a loan, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the loans in which the Fund invests do not benefit from the expected collateral or security arrangements, it may affect the value of the investments made by the Fund.

*Inadequate Collateral or Security.* If a default were to occur in relation to a loan in which a Fund has invested, and the Fund exercises its rights to enforce the collateral or security arrangements that support the loan, the value of recoveries under those arrangements may be smaller than the value of the Fund's investment in the loan (whether due to external factors such as changes in the market for the assets to which the security or collateral relates, general economic conditions or otherwise). In the event of any default on a Fund's investments by a borrower, the Fund will bear a risk of loss of principal and accrued interest on the loan, which could have a material adverse effect on the Fund's investment. In the case of secured loans, foreclosure can be an expensive and lengthy process which could have a material negative effect on the Fund's anticipated return on the foreclosed loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This could substantially reduce the Fund's anticipated return on the foreclosed loan. The level of defaults in the Fund's investment portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

*Securitization Vehicles.* A Fund's investments may include collateralized loan obligation products and other securitization vehicles payable solely from the underlying assets ("**Securitization Assets**") of an obligor or the proceeds thereof, including securitization vehicles formed by the Fund to leverage assets of the Fund. Consequently, holders of equity or other instruments or obligations issued by securitization vehicles must rely

solely on distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, broadly syndicated leverage loans, middle market bank loans, collateralized debt obligation debt tranches, trust preferred securities or instruments, insurance surplus notes, asset-backed securities or instruments, mortgages, high-yield bonds, mezzanine debt, second lien leverage loans, credit default swaps, emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. As described in greater detail below, securitization vehicles will typically be actively managed by the Manager or its affiliate, in its capacity as the collateral manager (the “**Collateral Manager**”), and as a result, the Securitization Assets will be traded, subject to rating agency and other constraints, by the Collateral Manager. The aggregate return on a Fund’s investment in securitization vehicles will depend in part upon the Collateral Manager’s ability to actively manage the related portfolio of Securitization Assets.

Securities issued by securitization vehicles represent leveraged investments in the Securitization Assets held by the securitization vehicle issuer. The use of leverage creates risk for the holders of securitization vehicle securities because the leverage increases their exposure to losses with respect to the Securitization Assets. These risks are magnified when the Fund invests in subordinated securitization vehicle securities, as described below under “Risk Relating to Equity in Securitization Vehicles.” As a result, the occurrence of defaults with respect to only a small portion of the assets could result in the substantial or complete loss of the investment in the securitization vehicle securities.

Further, the investments made by a Fund through securitization vehicles may involve a high degree of business and financial risk. This risk could arise from changes in the financial condition or prospects of the securitization vehicle, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

Securitization vehicles are extremely complex and are subject to a number of other risks related to, among other things, the rate of defaults and recoveries in the Securitization Assets, pre-payment rates, terms of Securitization Assets purchased to replace Securitization Assets that have pre-paid, the exercise of remedies by more senior securities issued by the securitization vehicles, and the possibility that no market will exist if the Fund chose to sell its interests in securitization vehicles or cause a sale of Securitization Assets.

*Risk Relating to Equity in Securitization Vehicles.* A Fund’s investments may include direct or indirect equity interests in a securitization vehicle (“**Securitization Vehicle Equity**”). Securitization Vehicle Equity represents residual or other subordinated interests in the securitization vehicle issuer. Securitization Vehicle Equity is payable solely from the available proceeds from the Securitization Assets held by the securitization vehicle. Securitization Vehicle Equity is not secured and the Fund would have to rely solely upon distributions on the Securitization Assets for repayment. If distributions on such assets are insufficient to pay fees and expenses, to make payments on the debt securities of the securitization vehicle or to pay distributions on the Securitization Vehicle Equity in accordance with the applicable priority of payments, no other assets will be available for the payment of the deficiency.

Payments of principal of, and interest on, secured notes issued by securitization vehicles, and dividends and other distributions on Securitization Vehicle Equity, are subject to such securitization vehicle’s priority of payments. Securitization Vehicle Equity is subordinated to the prior payment of all obligations under debt securities issued by a securitization vehicle. Thus, the greatest risk of loss relating to defaults on the Securitization Assets held by securitization vehicles is borne by the Securitization Vehicle Equity.

*Insolvency Considerations.* Any investments held by a Fund may be subject to various laws enacted in the home country, jurisdiction or state of the applicable portfolio company borrower for the protection of creditors. Insolvency considerations may differ depending on the jurisdiction in which each borrower is formed and/or located and may differ depending on whether the borrower is a non-sovereign or a sovereign entity. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower entity, such as a trustee

in bankruptcy, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such investment and, after giving effect to such indebtedness, the borrower: (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably low capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower, or recover amounts previously paid by the borrower in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was “insolvent” after giving effect to the incurrence of the indebtedness constituting the investment, or that, regardless of the method of valuation, a court would not determine that the borrower was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of a portfolio company borrower, payments made on the applicable loan could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year and one day) before insolvency. In addition, if a portfolio company borrower is the subject of a bankruptcy proceeding, payments to a Fund with respect to such investment may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court including the following: (A) an “automatic stay,” under which the Fund will not be able to institute proceedings or otherwise enforce its rights against the portfolio company or obligor with respect to the Fund’s investment without permission from the court; (B) conversion by the bankruptcy court of the Fund’s investment into more junior debt or into an equity obligation of the portfolio company thereof or obligor thereon; (C) modification of the terms of the Fund’s investment by the bankruptcy court, including reduction or delay of the interest or principal payments thereon; and (D) grant of a priority lien to a new money lender to the portfolio company of, or obligor on, the applicable loan.

*Lender Liability Considerations; Equitable Subordination.* A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) or good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although the Funds do not intend to engage in conduct that the Managers expect would form the basis for a successful cause of action based upon lender liability, the potential for such a cause of action exists. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Although the Funds do not intend to engage in conduct that the Managers expect would form the basis for a successful cause of action based upon the equitable subordination doctrine, the potential for such a cause of action exists. The preceding discussion is based upon principles of United States federal and state laws. Insofar as subsidiaries of the Fund or investments are formed under the laws of foreign jurisdictions, the laws of such foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws. In the event that a Fund operates as a “venture capital operating company” and is required to exercise its management rights, the risk of liability under one or more of the foregoing causes of action may be increased. Any such claim, if determined adversely to a Fund, could have a material adverse effect on the Fund’s returns to its partners.



## Conflicts of Interest

At any given time, Comvest and its affiliates will typically manage several other Private Investment Funds in addition to a given Fund, which may include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Fund, and may direct certain relevant investment opportunities to those Private Investment Funds and with respect to such investments. Except as required by the relevant Governing Documents, the Managers are not obligated to recommend any investment to any particular Private Investment Fund. In the event such other Private Investment Funds have made investments in portfolio companies that a given Fund may also be interested in, the Partnership Agreement may prohibit investments in such portfolio companies by the Fund without consent of the Fund's advisory board. If such consent is obtained, the Fund and such other Private Investment Funds may purchase different classes of debt and/or equity of the same portfolio company. In addition, certain of the Funds contemplate that such Funds generally will concurrently invest with other Private Investment Funds. Such concurrent investments, if they occur, may generally be in the debt of a portfolio company in which another Private Investment Fund concurrently purchases equity. If such debt investments are made, they may be subject to specific contractual restrictions as set forth in the applicable Partnership Agreement. These and other investments may be deemed to create conflicts of interest, particularly because a Manager and its affiliates may take certain actions for some Private Investment Funds or affiliates with respect to one class of debt or equity that may be adverse to other Private Investment Funds or affiliates who hold other classes of debt or equity of the same portfolio company. In such cases, such Manager and its affiliates will seek to act in a manner it believes in good faith to be fair to the applicable Private Investment Funds under the circumstances.

In determining how to allocate a particular investment opportunity among Funds, the applicable Manager generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents and other factors, including but not limited to: whether the risk-return profile of the proposed investment is consistent with a Fund's investment objectives or current investment strategies, such as objectives or strategies regarding current and total return requirements, exposure to the proposed investment, or degree and nature of diversification; the size, liquidity, duration and the capital structure of the investment opportunity, including minimum investment amounts and the source of the opportunity; whether the investment opportunity is a follow-on investment; avoiding a de minimis allocation; capital available or expected to be available for investment by the applicable Funds, including adjustments for reserves for follow-ons and expenses, and target fund size for funds which are still raising capital; potential conflicts of interest, including whether a Fund has an existing investment in the proposed investment; the potential for the proposed investment to create an imbalance in a Fund's portfolio; the liquidity requirements and considerations of a Fund, including during a rampup or wind-down of one or more Funds, remaining investment period and term, as well as the expected duration of the investment; potential tax consequences; legal, accounting, contractual or regulatory restrictions that would or could limit a Fund's ability to participate in a proposed investment; availability and degree of leverage and any requirements or other terms of any existing leverage facilities; the need to re-size risk in a Fund's portfolio; minimum or maximum investment size requirements of a Fund; and current and anticipated market and general economic conditions. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments in order to obtain its desired risk and portfolio size. Also, in light of differences in investment strategy between the Control Strategy Funds and the Strategic Growth Fund, it is Comvest's policy that the Control Strategy Funds (to the extent such Funds continue have the ability to make investments under the relevant Governing Documents) will have priority over the Strategic Growth Fund on any equity investment opportunity in excess of a specified deal size.

The applicable Manager will determine if the amount of an investment opportunity in which Fund(s) will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, as determined by the Funds' Governing Documents, side letters and the Managers'

procedures regarding allocation. The Managers' procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities, including perceived intensity of that interest; perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the potential co-investor's investment process), and to otherwise execute the transaction in a timely manner; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; the Manager's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the ability to execute the relevant transaction in the desired time or on desired terms; the size of the investment allocation available to co-investors, and the practicality of splitting the allocation into smaller tranches; the ability of the potential co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; whether the potential co-investor is considered "strategic" to the investment because it is able to offer a Fund or a Manager certain benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the relevant Manager believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or to Comvest or its affiliates; whether the potential co-investor has a history of consummating co-investment opportunities with Comvest; whether the potential co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; the likelihood that the potential co-investor would require governance rights that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the applicable Manager and assume a more passive role in governing the investment); whether the potential co-investor has any interests in any competitor of the underlying investment; the size of potential co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in such Fund); whether the potential co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction; the extent to which a potential co-investor has previously been provided a greater amount of co-investment opportunities relative to other potential co-investors; expected investment holding period; services provided by the potential co-investor to the issuer of the investment (or otherwise provided by the potential co-investor with respect to the investment); and the likelihood that the potential co-investor may invest in a future Fund. Co-investment opportunities may, and typically will, be offered to some and not to other Investors, and the consideration of the factors set forth above may result in certain Investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. The Managers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities. When and to the extent that employees and related persons of Comvest and its affiliates make capital investments in or alongside certain Funds, Comvest and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Notwithstanding the foregoing, prior to making an allocation of an investment opportunity to the Funds, the applicable Manager(s) may determine that a portion of the overall investment opportunity should be offered to one or more strategic investors. For these purposes, a "strategic investor" is an investor that the applicable

Manager(s) view as offering the applicable Funds short or long-term benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, whether the applicable Manager(s) believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds, such as the possibility of such investor offering investment opportunities to the relevant Funds in the future.

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

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by the applicable Manager in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, a Manager may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable Manager is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, a Manager may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds may be prohibited from exercising (or the Managers may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. The Managers intend to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Comvest and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard,

actions may be taken for one or more Funds that adversely affect other Funds.

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Comvest or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment. Comvest may have a conflict of interest in determining whether certain costs and expenses incurred in the course of operating one or more Funds should be paid by such Fund(s) (and if so, which Fund(s) and in what proportion) or by Comvest. While a Fund's partnership agreement identifies the costs and expenses to be paid by a Fund, questions of interpretation inevitably arise in connection with determining whether a certain cost or expense fits within the categories of costs and expenses described. Most Funds have adopted detailed expense language to help mitigate these issues and Comvest has also adopted certain internal policies and/or procedures to attempt to help mitigate these issues.

In addition, the Principals may spend a portion of their business time and attention pursuing investment opportunities for other Private Investment Funds and other than on behalf of a given Fund. The Principals and the applicable Manager's investment staff will continue to manage and monitor such Private Investment Funds and investments. The Managers believe that the significant investment of the Principals in a Fund, as well as the Principals' interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of the Principals with the interest of the Investors in the Fund, although the Principals have economic interests in such other Private Investment Funds as well and receive Management Fees and carried interest there from. Such other Private Investment Funds that the Principals may control may compete with a given Fund or companies acquired by the Fund. At such time as the applicable Manager is permitted to raise a successor investment fund to a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when a Manager may not otherwise have done so. Since the Managers are permitted to retain certain fees and compensation received from (or with respect to) portfolio companies (as described under "Fees and Compensation"), the Managers could have a conflict of interest in connection with approving transactions that result in, or setting, such fees and/or compensation. As a result of the Private Investment Funds' controlling interests in portfolio companies, the Managers typically have the right to appoint board members to such portfolio companies (including current or former personnel of the Managers or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Managers and/or their associates. The Managers and/or their affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by the Managers and/or their affiliates. Except to the extent such amounts are subject to the offset provisions of the applicable Governing Documents, such amounts will be in addition to any Management Fees

or carried interest paid by a Fund to Comvest.

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

A Manager generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for products or services with (i) Comvest or a related person of Comvest (which may include a portfolio company of such Fund), (ii) an entity with which Comvest or its affiliates or current or former members of their personnel has a relationship or from which Comvest or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, a Manager may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects such Manager to conflicts of interest, because although the Manager selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, it may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest, such as an interest in maintaining goodwill between itself and its former, existing and prospective portfolio companies. There is a possibility that Comvest or its affiliate, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Manager), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not a Manager has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at higher quality or lesser cost.

Although uncommon, from time to time the Managers may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by the Managers, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' limited partnership agreements or otherwise in the sole discretion of the Managers, the Managers may seek to mitigate such conflicts by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, the Managers may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. Comvest intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances,



including a consideration of the potential present and future benefits with respect to each Fund.

Moreover, as described above, portfolio companies and, in certain instances the Funds pay certain fees and retainers to operating partners, and other third party consultants (including OAG and other operating partners, Executive Partners and other consultants introduced or arranged by Comvest and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operating partners, OAG, Executive Partners and other consultants may receive investment opportunities, reimbursements and other compensation that will not offset the Management Fee of any Fund as described herein. OAG is often engaged on a retainer basis by portfolio companies, and therefore may be paid the same amount for differing amounts of work. Although the use of executive partners, operating partners and consultants and the allocation of compensation paid to them by Comvest, its affiliates and/or the portfolio companies subjects Comvest and/or its affiliates to potential conflicts of interest, Comvest believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating partner or consultant is lower than market rates for the services provided and/or if the services of the operating partner or consultant align with Comvest's model for the portfolio company and improve portfolio company performance. Although Comvest seeks to retain operating partners and consultants with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. Comvest also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Comvest believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Employees and related persons of Comvest have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with these investments.

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

The Managers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an Investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Managers and/or its affiliates, and/or the Private Investment Funds or other investment vehicles they advise. In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by the Managers and/or their affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies), and such fees will not offset the Management Fee as described herein. Any of these situations subjects the Managers and/or their affiliates to potential conflicts of interest.

## **Section 6. Disciplinary Information**

Neither Comvest nor its management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **Section 7. Other Financial Industry Activities and Affiliations**

Comvest is affiliated with the other Managers, investment advisers registered with the SEC under the Advisers Act pursuant to Comvest's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Comvest and serve as managers or general partners of private investment funds and other pooled vehicles or accounts and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

## **Section 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Managers have adopted the Comvest Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of the Managers' Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Managers' personnel to report their personal securities transactions and prohibits the Managers' personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or in a limited offering, in each case, without first obtaining approval from the Managers' Chief Compliance Officer. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any client or prospective client upon request to Bonnie Giusto at (212) 829-5834 or [b.giusto@comvest.com](mailto:b.giusto@comvest.com).

The Managers and their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**") may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Managers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Managers. Accordingly, should the Managers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Managers would be prohibited from communicating such information to clients, and the Managers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Comvest personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Managers and their affiliates may directly or indirectly own an interest in Private Investment Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of the Managers, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described in "Conflicts of Interest."

The Managers and their affiliates, Principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other Funds or accounts that may differ from advice given to, or securities recommended or bought for, other Funds or accounts with the same or similar investment objectives. The operative documents and investment programs of certain Funds may prohibit other Funds from investing in the same portfolio companies or other investments, or may otherwise restrict or limit such investments. In some cases, such operative documents and investment programs may give investment priority to some Funds over others.

Although some such restrictions could be waived by Investors (or their representatives or advisory boards), the Managers may or may not, in their sole discretion, seek any such waiver and, in any event, there can be no assurance that any waiver sought would be obtained.

The Managers may recommend the purchase or sale of securities for client accounts in which one or more of their affiliated persons, directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the Managers or the Funds. Certain of these transactions may require the consent of the applicable clients or Funds, and any such transaction will be conducted in accordance with any limitations set forth in the relevant Partnership Agreement(s).

In borrowing on behalf of a Fund, the Managers are subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

## **Section 9. Brokerage Practices**

The Managers focus primarily on securities transactions of private companies and generally purchase and sell such companies through privately negotiated transactions in which the services of a broker-dealer may be retained. However, the Funds also may invest in public securities from time to time and the Managers may also distribute securities to Investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Managers do not intend to regularly engage in public securities transactions, to the extent they do so, they follow the brokerage practices described below.

If the Managers sell publicly traded securities for the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Managers. In such event, the Managers will seek to select reputable, established brokers with the capability to service our client's needs at market rates. In selecting a broker to execute client transactions, the Managers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) responsiveness to requests for trade data and other financial information; and (v) the willingness to provide account services to all the Funds to be available to handle infrequent transactions.

The Managers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers



and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Managers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Managers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Managers generally do not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Managers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Managers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Funds. Research services may be shared between the Managers and their affiliates.

The Managers will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, the Managers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Managers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Managers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

To the extent that the Managers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on their Private Investment Funds' interest in receiving most favorable execution.

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

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

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

### **Section 10. Review of Accounts**

The Managers seek early realization of liquidity for the Funds' portfolios and early return of capital to Investors; however, investments made by the Funds are primarily private, illiquid or long-term in nature. The Managers continually review investment positions for liquidity alternatives and work with portfolio companies in planning for and realizing liquidity for Investors. In addition, each private investment fund's investment committee is responsible for insuring that each Private Investment Fund is managed in accordance with its stated objectives.

For Control Strategy and Strategic Growth Fund investments, the relevant Manager places importance on holding a seat on the board of each portfolio company or on having a contractual right to attend board meetings, and may otherwise act to influence management or control of portfolio companies held by the Funds, including through approval rights. For Lending Strategy investments, the relevant Manager generally seeks to mitigate risks through access to portfolio company management and detailed operating and financial information and through loan covenants and restrictions on certain activities of the portfolio companies.

The Funds generally provide to their Investors (i) annual GAAP-audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Investor's tax return, and (iii) quarterly reports describing the status of each investment in the relevant Fund's portfolio (including the relevant General Partner's estimate of the fair value of each investment determined as set forth in the Partnership Agreement).

### **Section 11. Client Referrals and Other Compensation**

The Managers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees would be in addition to Management Fees. See Section 2 ("Fees and Compensation") above for additional information.

From time to time, Comvest may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an Investor in a Fund. Any fees payable to any such placement agents will be borne by Comvest indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund. Comvest has retained and compensated placement agents from time to time to solicit investors on behalf of certain of the Funds. Compensation to placement agents is either paid or borne by the relevant Manager(s), and if initially paid by a Fund, will reduce Management Fees.

For its most recently completed Funds, Comvest V and Comvest Credit Partners IV, solicitation of Investors was carried out principally by Comvest employees. Comvest engaged placement agents with specific, limited mandates.

## **Section 12. Custody**

The majority of the Funds' investments are in the form of non-negotiable and non-transferable illiquid holdings for private company equity, equity warrants or debt instruments. Such instruments generally are held by the Manager in a secure location within its principal office, are held by financial institutions that have extended credit to the Fund to which the investment relates, or are held by a third party financial institution custodian. To the extent a Fund holds marketable or certificated securities, they are generally held in custody in the relevant Fund's brokerage account with Merrill Lynch, 200 Park Avenue, 13th floor, New York, NY 10166. The Managers maintain custody of other Fund assets, held in the name of the relevant Fund, with the following other qualified custodians:

- Citibank, N.A., 292/00954 Sort 2224, New York, NY 10043;
- Merrill Lynch, 200 Park Avenue, 13th Floor, NY, New York 10166.

## **Section 13. Investment Discretion**

Each Manager has discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Managers do not allow clients to place limitations on this authority, provided that the Partnership Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of each Partnership Agreement, however, a Manager may enter into "side letter" arrangements with certain Investors whereby the terms applicable to such Investor's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Manager assumes this discretionary authority pursuant to the terms of the relevant Partnership Agreement and powers of attorney executed by the Investors of each Fund.

## **Section 14. Voting Client Securities**

In accordance with SEC requirements, the Managers have adopted Proxy Voting Policies and Procedures (the "Policy") to address how any Manager will vote proxies, as applicable, for the Funds' portfolio investments. The Policy seeks to ensure that the applicable Manager votes proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The Managers generally believe their interests are aligned with the Funds' investors through the Principals' beneficial ownership interests in the Funds and carried interest and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or may be a conflict of interest between the applicable Manager and the Funds in voting proxies, the Policy provides that the Manager may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant Funds' advisory board(s) on the proposed proxy vote or through other alternatives set forth in the Policy. Additionally, a Fund's advisory board may approve the Fund's vote in a particular solicitation. The Managers do not consider service on portfolio company boards by Manager personnel or Principals, or the Managers' receipt of management or other fees from portfolio companies, to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Policy sets forth certain specific proxy voting guidelines followed by Comvest when voting proxies on behalf of a Fund. A copy of the Policy or information regarding how the Managers voted proxies for particular portfolio companies after the effective date of registration will be provided to clients or prospective clients at no charge upon request to Bonnie Giusto at (212) 829-5834 or [b.giusto@comvest.com](mailto:b.giusto@comvest.com).

**Section 15. Financial Information**

Comvest does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.