

**INVESTMENT ADVISER BROCHURE**

**HIDDEN HARBOR CAPITAL MANAGEMENT, L.P.**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Hidden Harbor Capital Management, L.P. If you have any questions about the contents of this Brochure, please contact us at (954) 400-1140. 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.**

Hidden Harbor Capital Management, L.P. 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 Hidden Harbor Capital Management, L.P. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## MATERIAL CHANGES

This is Hidden Harbor Capital Management, L.P.'s initial filing of Form ADV Part 2A.

## ADVISORY BUSINESS

Hidden Harbor Capital Management, L.P., a Delaware limited partnership and a registered investment adviser (the “**Adviser**”), and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in April 2016.

The Adviser's clients include the following (each, a “**Fund**,” and together with any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the “**Funds**”):

- Hidden Harbor Capital Partners I, L.P.
- Hidden Harbor Capital Partners I-A, L.P. (together with Hidden Harbor Capital Partners I, L.P., “**Fund I**”)

The following general partner entity is affiliated with the Adviser:

- Hidden Harbor Capital Partners GP I, L.P.

(the “**General Partner**” and together with any future general partner entities, the Adviser and their affiliated entities “**Hidden Harbor**”).

Each General Partner is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Hidden Harbor's 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. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Hidden Harbor or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Hidden Harbor's advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), limited partnership or other operating agreements (each, a “**Partnership Agreement**” and, as applicable, together with any relevant Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a

particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents. The Funds or the General Partners generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, the Adviser expects 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, portfolio company executives, market participants, finders, consultants and other service providers (including members of the Operations Group (as defined below)), Hidden Harbor’s personnel and/or certain other persons associated with Hidden Harbor and/or its affiliates (including, in some cases, through a vehicle formed by Hidden Harbor’s Principals to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). 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 Hidden Harbor’s sole discretion, Hidden Harbor may seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so reimbursed, they generally will be borne by the relevant Fund.

As of March 31, 2019 Hidden Harbor managed \$295,970,805 in client assets on a discretionary basis. Hidden Harbor is controlled by John Caple, David Block and Christopher Paldino (together, the “**Principals**”).

## **FEES AND COMPENSATION**

In general, Hidden Harbor receives a management fee and a carried interest in connection with advisory services. The Adviser or other Hidden Harbor entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Hidden Harbor in accordance with the relevant Governing Documents. In addition, in certain circumstances Hidden Harbor may charge a management fee and obtain a carried interest in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses.

### **Management Fees**

Fund I will pay Hidden Harbor, quarterly in advance, a management fee (the “**Management Fee**”) equal to 2.0% on an annual basis of aggregate Fund I investor capital commitments (“**Commitments**”) held by partners not designated as “affiliated partners” by its General Partner. Investors participating in a closing after the initial closing date bear the Management Fee from the date of the initial closing. Commencing with the first Management Fee due date after the expiration of the investment period or earlier upon the occurrence of certain

events as set forth in the Fund I Governing Documents, the Management Fee with respect to Fund I will equal 2.0% of (i) the aggregate investment contributions, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or permanently written-down.

The Adviser or another Hidden Harbor entity will be permitted to retain, without offset against the Management Fee, 20% of all (i) directors' fees, monitoring fees and consulting fees paid to the relevant General Partner with respect to any Fund I investment; (ii) transaction fees (including closing fees, investment banking fees, placement fees and commitment fees) and other similar fees paid to the General Partner with respect to any Fund I investment; and (iii) break-up fees with respect to Fund I transactions not completed that are paid to the General Partner, in each case net of certain expenses (including those described below), as set forth in the relevant Governing Documents (together, "**Transaction Fees**"). Excluded from Transaction Fees is any amount received by the General Partner, the Operations Group or other person from a portfolio company (i) as reimbursement for expenses directly related to such portfolio company or prospective portfolio company, (ii) as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, (iii) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company or (iv) as compensation for services rendered by the Operations Group (or a member thereof) to a portfolio company or prospective portfolio company. Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees.

The receipt of any such fees referred to in the preceding paragraph with respect to co-investors will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, 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. Similarly, in certain circumstances, Hidden Harbor expects that co-investors or other parties may negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage would, in those cases, be applied after excluding any amounts paid to such persons. As further described below and in the Governing Documents, it is Hidden Harbor's practice to use an Operations Group to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Operations Group members are not employees of the Adviser (though they generally will be permitted to utilize certain of Hidden Harbor resources and, in some cases, are expected to be retained and/or employed by an affiliate of the Adviser), but are third-party consultants and independent contractors expected to be regularly used by, or associated with, Hidden Harbor. Operations Group members are expected to receive compensation and other amounts described herein from the relevant portfolio companies to which they provide services or from Hidden Harbor to the extent the services provided by the Operations Group members are with respect to the Adviser (*e.g.*, attending meetings at which Hidden Harbor internal or corporate matters are discussed), but, in each case, no such amounts will result in additional offsets to the Management Fee. Any of the foregoing amounts may be paid to the Operations Group members by or through an affiliate of the Adviser. Specifically, Operations Group members may receive an annual retainer or other compensation and expense reimbursement from a Fund in addition to the compensation discussed

herein from the Fund's portfolio companies. Operations Group members may not be exclusive to Hidden Harbor.

### **Carried Interest**

Hidden Harbor has the right to receive a carried interest with respect to Fund I equal to 20% of cumulative realized profits over the life of Fund I, as more fully described in the Fund I Governing Documents. Any such carried interest distributed to Hidden Harbor is subject to a potential giveback at the end of life of Fund I if Hidden Harbor has received excess cumulative distributions and at certain interim intervals as provided in the Fund I Governing Documents.

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

### **Other Information**

Hidden Harbor is permitted to exempt certain "affiliated partner" investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Hidden Harbor and any other person designated by Hidden Harbor, such as "friends and family" of Hidden Harbor or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by Hidden Harbor and/or its affiliates, or through other Funds that co-invest with a Fund. For example, in instances where a Hidden Harbor professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, the Adviser has the right to permit investors, affiliated with the Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. In general, the Management Fee offsets described above apply only with respect to the Commitments of fee-paying investors in the applicable Fund.

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

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

In addition to the Management Fee and carried interest payable to Hidden Harbor, as set forth more fully in the relevant Governing Documents, each Fund will pay all other fees, costs, expenses, liabilities and obligations relating to the Fund and its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company) including, but not limited to, all fees, costs, expenses, liabilities and obligations attributable to: (i) activities with respect to sourcing, structuring, organizing, negotiating, acquiring, financing, re-financing, hedging, holding, managing, monitoring, operating, valuing, trading, dissolving, winding-up, liquidating, restructuring, taking public or private, selling or

otherwise disposing of, as applicable, the Fund's portfolio companies and its actual and potential investments (including follow-on investments) or in seeking to do any of the foregoing, whether or not any contemplated transaction or project is consummated and whether or not such activities are successful, (ii) indebtedness of, or guarantees made by, the Fund, the Adviser, the relevant General Partner or any "affiliated partner" on behalf of the Fund, including interest with respect thereto or of seeking to put in place any such indebtedness or guarantee, (iii) broker, dealer, underwriting (including, without limitation, both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services, (iv) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services, (v) legal, accounting, auditing, administration (including fees and expenses associated with the Fund's third-party administrator), information, appraisal, advisory, valuation, research, consulting (including consulting and retainer fees paid to the Operations Group or any of its members, consultants performing investment initiatives and other similar consultants), tax and other professional services, (vi) reverse break-up, termination and other similar fees (together, "**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors and, as described further below, transactions where co-investors were contemplated by Hidden Harbor, (vii) financing, commitment, origination and similar fees and expenses, (viii) directors and officers liability, errors and omissions liability and other insurance and regulatory expenses, (ix) filing, title, transfer, registration and similar fees and expenses, (x) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1, administrative or regulatory filings or reports (including Form PF and any Fund-related filings or reports contemplated by the EU Alternative Investment Fund Managers Directive (the "**AIFMD**") or any similar law, rule or regulation), or other information (including an allocable portion of any licensing, maintenance, upgrade and/or implementation fees, expenses and costs of any investor administrative tools (including software and extranet tools) related to the foregoing), (xi) any activities with respect to protecting the confidential or non-public nature of any information or data, (xii) to the extent provided in the relevant Governing Documents or otherwise approved by the relevant General Partner in its sole discretion, proceedings of the advisory board (including any reasonable out-of-pocket costs and expenses incurred by the members in attending such meetings), (xiii) indemnification, except to the extent the Fund's payment of such cost, expense, liability or obligation is otherwise prohibited by the relevant Governing Documents, (xiv) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith, (xv) any taxes, fees and other governmental charges levied against the Fund (except to the extent that the Fund is reimbursed therefor by a partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the relevant Governing Documents), (xvi) the annual limited partner meeting and any other conference or meeting with any limited partner(s), (xvii) except as otherwise determined by the relevant General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation of any feeder vehicles to the extent not paid by the investors investing in such entities, (xviii) expenses incurred in connection with the winding-up or liquidation of the Fund, (xix) expenses relating to defaults by partners in the payment of any capital contributions, (xx) expenses incurred

in connection with certain amendments to the relevant Governing Documents and constituent documents of entities related to a Fund, (xxi) any and all expenses (including legal fees and expenses) incurred to comply with any law or regulation related to the activities of the Fund (including, but not limited to, regulatory expenses of the relevant General Partner incurred in connection with the operation of the Fund) or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from the indemnification; (xxii) expenses incurred in connection with distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses, (xxiii) unreimbursed expenses and unpaid fees of the Operations Group or its members, (xxiv) any travel, meals or business-related entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities, (xxv) expenses related to any compliance or regulatory matters related to the Fund (except those regulatory expenses that are excluded pursuant to the relevant Governing Documents) and (xxvi) certain organizational expenses (as set forth in the Governing Documents). The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of Hidden Harbor. Excluded from Fund expenses are ordinary administrative and overhead expenses of the relevant General Partner incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the relevant Governing Documents. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While Hidden Harbor believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Hidden Harbor is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, each General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Hidden Harbor's related policies and the relevant Governing Documents and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the relevant General Partner(s), ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the relevant Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.



Hidden Harbor and/or its affiliates generally have discretion over whether to charge Transaction Fees 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 Transaction Fees generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Hidden Harbor and/or its affiliates on the other hand.

## **Operations Group**

As further described herein and in the relevant Governing Documents, each General Partner may create an operations group (the “**Operations Group**”) comprised of persons retained by such General Partner or any of its affiliates primarily 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. Operations Group members generally provide manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, strategic guidance or similar services to a Fund, alternative investment vehicle or portfolio company or prospective portfolio company of such Fund or alternative investment vehicle. Operations Group members receive compensation, including, but not limited to, fees and carried interest, which may be paid by a portfolio company or prospective portfolio company (which payments are not included as Transaction Fees). Such compensation typically is determined using a billable rate per hour that Hidden Harbor believes is reasonable. Operations Group members generally also will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the Management Fee. It is expected that certain members of the Operations Group will be retained and/or employed through an affiliate of the Adviser, and all or a portion of the compensation paid to those members may be made through such affiliate. The use of an Operations Group subjects Hidden Harbor to conflicts of interest, as discussed under “Conflicts of Interest,” below.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” the Fund I General Partner receives a carried interest allocation on certain realized profits in Fund I. Hidden Harbor does not advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain affiliated partners, as described under “Fees and Compensation.”

Hidden Harbor seeks to address the potential for related conflicts of interest 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 Hidden Harbor or any personnel.

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

## **TYPES OF CLIENTS**

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

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

Fund I generally has a minimum investment amount of five million dollars for third-party investors, and Fund I interests are offered and sold solely to accredited investors that are also qualified clients and, unless waived by the Fund I General Partner, qualified purchasers (or qualified knowledgeable Hidden Harbor personnel). Such minimum investment amount may be waived by Hidden Harbor.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

Hidden Harbor is a private investment firm focused on leveraged buyouts, equity, debt and other investments in market-leading companies believed to benefit from Hidden Harbor's in-house operating professionals and experience. Hidden Harbor's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted.

Hidden Harbor's investment strategy for each Fund focuses on the acquisition of controlling interests in lower middle-market companies based principally in North America. Hidden Harbor expects to invest in target sectors, including industrials, transportation and logistics, retail and consumer products and business services.

Once an investment opportunity has been identified, Hidden Harbor seeks to implement an effective operating strategy to improve the performance of the acquired company by (i) developing restructuring and operating plans, (ii) building the management team and (iii) providing significant resources to portfolio companies.

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

## Investment and Operating Strategy

*Deal Sourcing and Due Diligence.* Hidden Harbor markets its investment criteria to its deal source network with frequent mailings, telephone calls, public relations, conference attendance and in-person meetings. Once a potential investment is identified, Hidden Harbor develops an investment thesis and, through a detailed due diligence process, seeks to verify such thesis and investigate the major business risks. As part of its diligence process, Hidden Harbor completes a detailed analysis of an industry including contacting a target company's customers and vendors, trade organizations, Hidden Harbor's contact network and, in certain instances, industry consultants.

*Build Management Team.* Hidden Harbor may supplement or replace the management team at a new portfolio company or advise the existing management team on ways to improve performance. Hidden Harbor and its affiliates routinely search for highly qualified senior managers and often identify qualified candidates prior to making the next investment. In certain instances, operating professionals of Hidden Harbor or its affiliates will fill key management roles (including chief executive officer or chief financial officer) on an interim basis immediately following closing until a professional management team can be assembled.

*Maintain Active Involvement in Portfolio Companies.* Hidden Harbor aims to act decisively with respect to newly acquired portfolio companies and typically makes significant changes to the company within the first three to six months after acquisition. Thereafter, Hidden Harbor stays actively involved in the management of the portfolio companies by, among other things, requiring its portfolio companies to distribute daily or weekly flash reports and scheduling frequent meeting with the senior staff to focus on operations, competition, new products and personnel.

*Value Acquisition Price.* Hidden Harbor brings a value-oriented approach to the lower middle-market and seeks to acquire companies at attractive EBITDA multiples or at a discount to asset value for unprofitable businesses. A typical targeted company is at an inflection point, possessing identifiable untapped growth potential and/or room for significant operational improvements. Speed, certainty of closure, fluid transition of ownership, preservation of shared customer relationships and other non-economic motivations often represent significant value to the seller. At the lower end of the middle-market where there is generally less competitive pressure and process formality, Hidden Harbor expects to be able to utilize its strong operational focus to adhere to the needs of the seller.

*Market Leaders in Defined and Defensible Niche Markets.* Hidden Harbor intends to search for niche market leaders with strong strategic positions. These companies may have demonstrated competitive advantages due to high relative market share, including lower cost structure, better ability to develop new products and services and better customer coverage.

*Opportunities to Professionalize the Business.* Hidden Harbor believes that the lower middle-market presents significant opportunities for value creation. Hidden Harbor intends to invest primarily in companies that have well-developed technologies, brands, process know-how and intellectual property, but also often exhibit growth opportunities and/or correctable flaws in their operations, strategy and/or management.

Clear Value Creation Blueprint. During the due diligence process, Hidden Harbor intends to work to develop a long list of potential initiatives to drive value. Hidden Harbor will then evaluate those initiatives based upon level of impact and ease of implementation. Based upon those factors Hidden Harbor will determine what it believes to be the two to three most important initiatives to drive value in the investment.

Growth Opportunities and Add-on Acquisitions. Once the above strategies have been implemented, Hidden Harbor will often seek to utilize the portfolio company's cash flow, equity value and borrowing capacity to accelerate growth through new product and market opportunities and add-on acquisitions.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that Hidden Harbor's investment strategy entails. The risks involved with Hidden Harbor's investment strategy and an investment in a Fund include, but are not limited to:

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

Future and Past Performance. The performance of the Principals' prior investments is not necessarily indicative of a Fund's future results. While each General Partner intends 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 a Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

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

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

Dynamic Investment Strategy. While each General Partner generally intends to seek attractive returns for a Fund primarily through making control-oriented, operationally-focused

investments in businesses undergoing some level of stress, as described herein, each General Partner 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 Governing Documents. A General Partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the relevant General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund invests generally will not be rated by a credit rating agency.

A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the 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 Funds and entities managed

by the relevant General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by Commitments made by the Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund.

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

*Subscription Lines.* A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of 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 relevant 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 a 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 a Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The relevant General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the relevant General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount

of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with Commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the relevant General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

*Limited Transferability of Fund Interests.* There will be no public market for Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents 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 Fund investments and, hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners 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 partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the relevant Governing Documents, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a Fund will be vested with the relevant General Partner, and a Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Principals may in the future manage or advise other investment funds besides the Funds and the Principals may need to devote substantial amounts of their time to the investment activities of such other Funds, which may pose conflicts of interest in the allocation of the time of the Principals. Limited partners generally have no right or power to take part in the management of a Fund and, as a result, the investment performance of each Fund will depend on the actions of the relevant General Partner. In addition, certain changes in the relevant General Partner or circumstances relating to such General Partner may have an adverse effect on a Fund or one or more of its portfolio companies, including potential acceleration of debt facilities.

Although the relevant General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies,

there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

*Absence of Operating History.* Each Fund will be entirely dependent on the relevant General Partner. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the Principals. In addition, a Fund's investments may differ from previous investments made by the Principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period.

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

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the Organization for Economic Cooperation and Development ("OECD") has been actively engaged in working towards exchange of information on a global scale and has published a global Common Reporting Standard for multilateral exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to a Fund and/or alternative investment vehicles, and may require the relevant General Partner to collect and share with applicable taxing authorities information concerning limited partners (including identifying information and amounts of certain income allocable or distributable to them). A limited partner's failure to provide the required information may result in result in expulsion from a Fund and/or alternative investment vehicles. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, as of January 1, 2019, gross proceeds of a disposition of stock, unless an exception applies. A Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

*Conflicting Investor Interests.* Limited partners may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the relevant General Partner regarding an investment that may be more beneficial to one limited partners than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the relevant General Partner generally will



consider the investment and tax objectives of a Fund and its partners as a whole, not the investment, tax or other objectives of any limited partners individually.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions 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 such 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 2008 global financial crisis, 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.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the Principals, employees or other individuals associated with a Fund, the Adviser or a General Partner who were or may in the future be granted direct or indirect interests in a General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from a Fund and the relevant General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.

*Alternative Investment Fund Managers Directive.* The EU 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"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available, (i) the Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) the Fund and/or the relevant General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) the relevant General Partner may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the 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 a Fund to raise its targeted amount of Commitments.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, Hidden Harbor 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 a Fund will make follow-on investments or that a 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 impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

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

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

*Material Non-Public Information; Other Regulatory Restrictions.* As a result of its operations, Hidden Harbor frequently comes into possession of confidential or material non-public information. Therefore, Hidden Harbor 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 Hidden Harbor's internal policies.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Hidden Harbor 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 Hidden Harbor'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 Hidden Harbor 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.

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

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the relevant General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

*Significant Adverse Consequences for Default.* The Governing Documents provide for significant adverse consequences in the event a limited partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting limited partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

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

*General Partner's Carried Interest.* The fact that each General Partner's carried interest is based on a percentage of net profits may create an incentive for each General Partner to cause a 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 a General Partner, its partners, the Principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the relevant Governing Documents.

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

*Distressed Investments.* A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that a General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

*Non-controlling Investments.* A Fund may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a

Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of the 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 the 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 seek to 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 a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

*Limitation of Recourse and Indemnification.* The relevant Governing Documents limit the circumstances under which the relevant General Partner and its affiliates will be held liable to a Fund. As a result, limited partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the relevant Governing Documents will provide that a Fund will indemnify the relevant General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to limited partners.

*Litigation.* In the ordinary course of its business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the relevant General Partner's and the Principals' 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.

*Advisory Board.* Each General Partner will appoint one or more limited partner representatives to an advisory board. The Governing Documents may provide that to the fullest extent permitted by applicable law, none of the advisory board members shall owe any fiduciary duties to a Fund or any other partner. In addition, representatives of the advisory board may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence their decisions as members of the advisory board.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy

generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

*General Economic and Market Conditions.* The private equity industry generally and the success of a Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by a General Partner. 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 a 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) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to 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 a 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 the relevant General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to obtain funding to support its investment objective. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

*Certain Consultants.* Each General Partner, each Fund and the portfolio companies are expected from time to time to retain other companies and individuals ("**Special Consultants**"), which are expected to include affiliates of the relevant General Partner, employees of such affiliates, portfolio companies of other funds managed by the relevant General Partner or its affiliates, third-party consultants (including individual Operations Group members, consultants and external executives), "operating partners," "strategic partners," "executive partners" or "senior advisors." The Special Consultants are expected to be engaged to provide services to, or in connection with, a Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies ("**Services**").

Pursuant to the Governing Documents, fees and expenses associated with the Services (collectively "**Consulting Fees and Expenses**"), are expected to be paid and/or reimbursed by applicable portfolio companies and/or a Fund. Consulting Fees and Expenses, at the discretion of

the relevant General Partner taking into account the particular Services, are expected to include a profits or equity interest in a portfolio company or other incentive-based compensation to the Special Consultant, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultant, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company.

*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 Hidden Harbor 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 the Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of a 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 the 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 Assets.* There is not expected to be an actively traded market for most of the securities owned by each Fund. When estimating fair value, each General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by a General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, a Fund and the relevant General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties (*e.g.*, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses), and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the applicable Fund and, ultimately, its investors.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable

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

### **Conflicts of Interest**

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

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by the Principals through such Fund, subject to certain limited exceptions set forth in the Fund's Governing Documents and Hidden Harbor's allocation policies. Without limitation, the Principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Principals and Hidden Harbor's investment staff will continue to manage and monitor such investments until their realization. Such other investments that the Principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Hidden Harbor will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Hidden Harbor. In determining which investment vehicles should participate in such investment opportunities, Hidden Harbor and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, Hidden Harbor is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Hidden Harbor in a



portfolio company may also raise the risk of using assets of a client of Hidden Harbor to support positions taken by other clients of Hidden Harbor.

Hidden Harbor must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Hidden Harbor generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, as well as factors including but not limited to: investment criteria, restrictions and objectives (including those set forth in the relevant Governing Documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of Hidden Harbor in the manner set forth in the relevant Governing Documents and the Hidden Harbor's allocation policies. Hidden Harbor will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Hidden Harbor's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Hidden Harbor will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Governing Documents, Side Letters and Hidden Harbor's procedures regarding allocation. Hidden Harbor's 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; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; 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; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Hidden Harbor'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 Hidden Harbor's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Hidden Harbor 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 portfolio company, other portfolio companies, the Funds or Hidden Harbor. Although a prospective co-investor's willingness to invest in future Funds may be considered by Hidden Harbor, it generally will not be the sole determining factor considered by Hidden Harbor in identifying co-investors. The Adviser 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.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Hidden Harbor or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Hidden Harbor 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. When and to the extent that employees and related persons of Hidden Harbor and its affiliates make capital investments in or alongside certain Funds, Hidden Harbor 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.

Hidden Harbor's 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 Hidden Harbor will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its 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 Hidden Harbor may be subject, discussed herein, did not exist.

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

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. 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, Hidden Harbor will allocate fees and expenses in a manner that it believes

in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Hidden Harbor 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 Hidden Harbor or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Hidden Harbor. The Funds may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a portfolio company typically will reimburse Hidden Harbor or service providers retained at Hidden Harbor's discretion for expenses (including without limitation travel expenses) incurred by Hidden Harbor or such service providers in connection with its performance of services for such portfolio company. This subjects Hidden Harbor 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. Hidden Harbor 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 Hidden Harbor 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.

Hidden Harbor generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Hidden Harbor or a related person of Hidden Harbor (which may include a portfolio company of such Fund), (ii) an entity with which Hidden Harbor or its affiliates or current or former members of their personnel has a relationship or from which Hidden Harbor or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, Hidden Harbor 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 Hidden Harbor to conflicts of interest, because although Hidden Harbor 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, Hidden Harbor may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Hidden Harbor, 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 Hidden Harbor), 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 Hidden Harbor has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In certain circumstances, current or former Hidden Harbor personnel may serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities, while, in the case of current Hidden Harbor personnel, maintaining certain benefits, support services or indicia of employment at Hidden Harbor. Under such arrangements, Hidden Harbor and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships will not result in additional offsets to the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to Hidden Harbor at the end of such secondee arrangement.

In addition, as described above, portfolio companies typically pay certain fees to Operations Group members and other consultants (including consultants introduced or arranged by Hidden Harbor and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operations Group members generally make use of Hidden Harbor resources or otherwise are associated with Hidden Harbor. Hidden Harbor and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operations Group members generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein. Although the use of Operations Group members and the allocation of compensation paid to them by Hidden Harbor, its affiliates and/or the portfolio companies subjects Hidden Harbor and/or its affiliates to potential conflicts of interest, Hidden Harbor 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 Operations Group member is lower than market rates for the services provided and/or if the services of the Operations Group members align with Hidden Harbor's model for the portfolio company and improve portfolio company performance. Although

Hidden Harbor seeks to retain Operations Group members with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Hidden Harbor also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Hidden Harbor believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operations Group members 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.

Although uncommon, from time to time Hidden Harbor may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Hidden Harbor, 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. Hidden Harbor 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. In certain circumstances, Hidden Harbor 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 a Fund under then-current market conditions.

Although Hidden Harbor generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Hidden Harbor intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Hidden Harbor and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Hidden Harbor and/or its affiliates; conversely, current or former personnel or executives of Hidden Harbor and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by Hidden Harbor. Similarly, Hidden Harbor, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family

offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Hidden Harbor and/or its affiliates, and/or the Funds or other investment vehicles they advise. Hidden Harbor may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Hidden Harbor information about markets and industries in which Hidden Harbor operates (or is contemplating operations) or will provide other services that are beneficial to Hidden Harbor. Hidden Harbor may have a conflict of interest in making such recommendations, in that Hidden Harbor has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Hidden Harbor, its affiliates, and equity holders, officers, Principals and employees of Hidden Harbor and its affiliates may buy or sell securities or other instruments that Hidden Harbor has recommended to a Fund (including those offered to but rejected by a Fund), in each case solely to the extent that such transactions would not be prohibited by a Fund's Governing Documents and/or the policies and procedures set forth in Hidden Harbor's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Hidden Harbor 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.

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

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 Hidden Harbor may not otherwise have done so.

Since Hidden Harbor is permitted to retain certain Transaction Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation. Additionally, Hidden Harbor, its personnel, affiliates or others designated by Hidden Harbor may from time to time receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Governing Documents are applied, Hidden Harbor and/or such other recipients will be permitted to retain such securities as Transaction Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or the

Hidden Harbor) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund.

Hidden Harbor and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights. Hidden Harbor has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Hidden Harbor has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. From time to time Hidden Harbor, its affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Discounted prices or better terms offered by a portfolio company to Hidden Harbor, any other portfolio company or third parties may affect the returns of the portfolio company.

Any of these situations subjects Hidden Harbor and/or its affiliates to potential conflicts of interest. Hidden Harbor attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Hidden Harbor’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Hidden Harbor will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Hidden Harbor consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

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

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser is affiliated with Hidden Harbor Capital Partners GP I, L.P., which is registered with the SEC under the Advisers Act pursuant to Hidden Harbor’s registration in accordance with SEC guidance. This entity operates as a single advisory business together with the Adviser and serves as general partner of Funds and other pooled vehicles and generally shares common owners, officers, partners, employees, consultants or persons occupying similar positions with the Adviser.

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

Hidden Harbor has adopted the Hidden Harbor Code of Ethics and Securities Trading Policy and Procedures (the “**Code of Ethics**”), which sets forth standards of conduct that are

expected of the Principals and Hidden Harbor employees and addresses conflicts that arise from personal trading. The Code of Ethics requires certain Hidden Harbor personnel to report their personal securities transactions, prohibits or requires pre-clearance for Hidden Harbor personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Hidden Harbor personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Hidden Harbor Chief Compliance Officer. In addition, the Code of Ethics 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 of Ethics will be provided to any investor or prospective investor upon request to Tim Trost, the Hidden Harbor Chief Compliance Officer, at (954) 400-1132. 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.

Hidden Harbor and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Hidden Harbor and its 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 Hidden Harbor.

Accordingly, should Hidden Harbor or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Hidden Harbor generally would be prohibited from communicating such information to clients, and Hidden Harbor 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 Hidden Harbor personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Hidden Harbor and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest 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 Adviser, 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 under "Methods of Analysis, Investment Strategies and Risk of Loss."

Hidden Harbor and its affiliates, Principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with



respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

From time to time, Hidden Harbor may advance funds on behalf of a Fund and contribute such amounts to the relevant Fund as a special interim capital contribution for investment, to be redeemed at a later date. A yield amount in connection with such borrowing typically is borne by the relevant Fund, consistent with the relevant Governing Documents.

In borrowing on behalf of a Fund, Hidden Harbor is 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 Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down Commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when a 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 relevant 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.

Hidden Harbor will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with Hidden Harbor's obligations to the Fund under the relevant Governing Documents.

### **BROKERAGE PRACTICES**

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

If Hidden Harbor sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Hidden Harbor. In such event, Hidden Harbor will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Hidden Harbor 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; and (iv) responsiveness to requests for trade data and other financial information.

Hidden Harbor has 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 Hidden Harbor generally seeks competitive commission rates, it 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 Hidden Harbor seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Hidden Harbor generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent Hidden Harbor uses “soft dollars” on behalf of the Funds, it will seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

#### **REVIEW OF ACCOUNTS**

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

Each Fund generally will provide to its limited partners (i) annual GAAP-audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner’s U.S. tax return and (iii) annual descriptive investment information for each portfolio company.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

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

From time to time, Hidden Harbor may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by Hidden Harbor indirectly through an offset against the Management Fee. Hidden Harbor currently has retained Probitas Funds Group, LLC, a U.S. finder, to solicit Commitments from investors in exchange for

a placement fee equal to 2.0% of the Commitments accepted by the relevant General Partner with respect to such investors, in addition to the reimbursement of certain expenses.

### **CUSTODY**

Hidden Harbor maintains custody of assets held in the name of one or more Funds with the following qualified custodians: Silicon Valley Bank and Wells Fargo Bank, N.A.

### **INVESTMENT DISCRETION**

Hidden Harbor has discretionary authority to manage investments on behalf of each Fund. As a general policy, Hidden Harbor does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Hidden Harbor and/or its affiliates may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a 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. Hidden Harbor assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of each Fund.

### **VOTING CLIENT SECURITIES**

Hidden Harbor has adopted the Hidden Harbor Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for Fund I's (and any Fund's) portfolio investments. The Proxy Policy seeks to ensure that Hidden Harbor votes proxies (or similar instruments) in the best interest of Fund I, including where there may be material conflicts of interest in voting proxies. Hidden Harbor generally believes its interests are aligned with those of each Fund's investors, for example, through the Principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Hidden Harbor may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Hidden Harbor's vote in a particular solicitation. Hidden Harbor does not consider service on portfolio company boards by Hidden Harbor personnel or Hidden Harbor's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Hidden Harbor when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Hidden Harbor's complete Proxy Policy or information regarding how Hidden Harbor voted proxies for particular portfolio companies may contact Tim Trost, the Hidden Harbor Chief Compliance Officer, at (954) 400-1132, and it will be provided at no charge.

### **FINANCIAL INFORMATION**

Hidden Harbor 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.