

INVESTMENT ADVISER BROCHURE

KINDERHOOK INDUSTRIES, LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Kinderhook Industries, LLC, a Delaware limited liability company (“Kinderhook Industries”). If you have any questions about the contents of this Brochure, please contact us at (212) 201-6780. 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.

Kinderhook Industries 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 Kinderhook Industries is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 Amendment filed by Kinderhook Industries on March 30, 2021 (the “**Amended Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the Amended Brochure.

This Brochure has been revised to update the description of the business practices of Kinderhook (as defined below) and supplement existing disclosures relating to its business practices and related potential conflicts of interest throughout.

TABLE OF CONTENTS

	<u>Page</u>
MATERIAL CHANGES	2
ADVISORY BUSINESS	4
FEES AND COMPENSATION	5
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	9
TYPES OF CLIENTS	10
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	10
DISCIPLINARY INFORMATION	33
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	33
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	33
BROKERAGE PRACTICES	35
REVIEW OF ACCOUNTS	37
CLIENT REFERRALS AND OTHER COMPENSATION	37
CUSTODY	37
INVESTMENT DISCRETION	37
VOTING CLIENT SECURITIES	38
FINANCIAL INFORMATION	38

ADVISORY BUSINESS

Kinderhook Industries is a private investment management firm, with several affiliated registered investment advisory entities and other affiliate organizations. Kinderhook Industries commenced operations in April 2003.

Kinderhook Industries and its affiliated investment advisers (collectively, “**Kinderhook**”) provide investment advisory services to private investment funds (each a “**Fund**” and, collectively, the “**Funds**”). Kinderhook’s advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a “**Memorandum**”), investment management agreements, limited partnership or other operating agreements of the Funds or governing documents (each, a “**Partnership Agreement**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.”

Kinderhook’s affiliates serve as management agents and general partners to the Funds. Each affiliated investment adviser is registered under the Advisers Act pursuant to the registration of Kinderhook Industries in accordance with SEC guidance. This Brochure also describes the business practices of each affiliated investment adviser, which operate as a single advisory business together with Kinderhook Industries.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” Kinderhook’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 Kinderhook or its affiliates will 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.

Investors in Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the applicable Fund’s Partnership Agreement; such arrangements generally do not and will not create an adviser-client relationship between Kinderhook and any investor. The Funds and/or Kinderhook have entered 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 applicable Fund’s Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Kinderhook 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, market participants, finders, consultants and other service providers, Kinderhook’s personnel and/or certain other persons associated with Kinderhook and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a

co-investing Fund) purchases 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), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. 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, but in certain instances could be well after the Fund's initial purchase, and Kinderhook reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or to otherwise equitably adjust the purchase price under certain conditions) to compensate the relevant Fund for the holding period, and the co-investor or co-invest vehicle generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2021, Kinderhook managed approximately \$6,397,524,138 in client assets on a discretionary basis. This amount represents the gross assets and uncalled but callable commitments of the Funds. Kinderhook is controlled by Thomas L. Tuttle, Robert E. Michalik and Christian P. Michalik who act as the managing members of Kinderhook Industries (the "**Principals**").

FEES AND COMPENSATION

In general, Kinderhook receives management fees ("**Management Fees**") in connection with the provision of advisory services to its clients. Kinderhook or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds, and such additional compensation will generally (subject to certain exceptions as discussed herein and set forth in the Partnership Agreements) offset in whole or in part the Management Fee otherwise payable to the extent provided by the relevant Partnership Agreement. Portfolio Company Fees (as defined below) from time to time will also include amounts prepaid in anticipation of future services to a portfolio company or that are otherwise accelerated, which will be offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement. Limited partners in the Funds also bear certain fund expenses. Where the relevant Partnership Agreement calculates Management Fees based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Partnership Agreement. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Management Fees

Certain Funds do not pay management fees and those Funds generally pay all fees, costs, expenses (other than the general partner's or any of its affiliates' ordinary administrative and overhead expenses (other than Management Fees) of managing a Fund), liabilities and obligations attributable to a Fund's (and its subsidiaries' and intermediate entities') activities, including, but not limited to, taxes, legal, auditing, accounting and consulting expenses (including any such fees and expenses, break-up or topping fees or other liabilities or obligations associated with investment and disposition opportunities not consummated, "**Broken Deal Expenses**"), expenses associated with the preparation of a Fund's financial statements, tax returns and Schedule K-1s and other similar reports, out-of-pocket expenses of the advisory board of such Fund and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and

disposition of its investments, including extraordinary expenses, Management Fees, and other expenses associated with such Fund (including extraordinary expenses such as litigation and indemnification, if any and travel expenses, which may include expenses for chartered or first-class travel).

Certain Funds in addition to the fees, costs, and expenses described above pay a Management Fee equal to 1.0% to 2% per annum of aggregate commitments, as described in each Fund's Partnership Agreement. For certain Funds, Portfolio Company Fees (defined below) reduce the Management Fee received, directly or indirectly, by Kinderhook. In the event that the amount of Portfolio Company Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, 100% of such excess is carried forward to reduce the Management Fee payable in the following three-month periods. Any Management Fee offsets remaining at the end of the life of a Fund will be retained by a Kinderhook affiliate, subject to certain exceptions.

"Portfolio Company Fees" means, generally, all directors' fees, financial consulting fees, advisory fees, transaction fees, break-up fees and other similar fees that are paid to or received by Kinderhook from a portfolio company or a bona fide prospective portfolio company. As a matter of practice, Kinderhook is typically paid fees of the type referred to in the preceding sentence from, on behalf of or with respect to co-investors in an investment, as well as other fees relating to the structuring and administration of co-investment arrangements. The portion of any such fee that relates to co-investors are not considered Portfolio Company Fees. Therefore the receipt of such fees relating 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 on a fully diluted basis of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by Kinderhook, third parties, portfolio company management or employees and/or others), which may be significant. Similarly, in certain circumstances, Kinderhook expects that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons.

Other Information

Kinderhook exempts certain investors in Funds from payment of all or a portion of Management Fees, including persons designated by Kinderhook, such as "friends and family" of Kinderhook or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. The relevant general partner reserves the right to make any such exemption from Management Fees by a direct exemption, a rebate by Kinderhook or through other Funds which co-invest with the Funds. For example, in instances where a Kinderhook professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee with respect to such Fund. Additionally, to the extent permitted by the relevant Fund's Partnership Agreement, Kinderhook may have the right to permit investors, affiliated with Kinderhook or otherwise, to invest through the relevant general partner or other vehicles that do not bear Management Fees. In general, the Management Fee offsets described above apply only with respect to the commitments of fee-paying investors. Kinderhook retains flexibility to structure its compensation from investors and

expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s).

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 Partnership Agreements, over the term of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds.

The Principals or other employees of Kinderhook from time to time will 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 Kinderhook or its affiliates.

As described more fully in the applicable Memorandum, Kinderhook has relationships with certain senior professionals who provide certain key value-added services to (or with respect to) the portfolio companies of the Funds (the “**Operating Partners**”). The Operating Partners are not employees, members or partners of any Kinderhook entity.

Such Operating Partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating Partners receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, incentive equity and stock awards, profits or equity interests in one or more Funds or general partners, remuneration from Kinderhook and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Operating Partner compensation as well as fees, costs and expenses of structuring Operating Partner arrangements. No such compensation will offset or reduce the Management Fee. Out-of-pocket expenses (including travel and other costs) incurred by Operating Partners while conducting business for a Fund's portfolio companies are generally reimbursed by the portfolio companies but may also be paid by a Fund. Operating Partners are not subject to the restrictions on Kinderhook persons such as conflicts of interest, priority of transaction opportunities, and formation of other vehicles. The use of Operating Partners subjects Kinderhook to potential conflicts of interest, as discussed under “Conflicts of Interest” below.

Kinderhook and/or its affiliates generally have discretion over whether to charge Portfolio Company Fees to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by

an independent third party. The receipt of Portfolio Company Fees may give rise to conflicts of interest between the Funds, on the one hand, and Kinderhook and/or its affiliates on the other hand.

The relevant general partner also generally is permitted from time to time to establish Funds that include alternative investment vehicles in order to permit certain 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.

In certain circumstances, one Fund will pay an expense or obligation 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 expenses or obligations, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. From time to time, Kinderhook or an affiliate thereof will also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant general partner permits certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Kinderhook's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. If a proposed transaction in which a co-investment was planned is not consummated, 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, no such co-investment vehicle generally will have been formed, and the full amount of any Broken Deal Expenses relating to such proposed transaction would therefore be borne by the Fund or Funds that were to have participated in such proposed transaction, and not by any potential co-investors. As a general matter, Broken Deal Expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among Fund investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. 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 generally bears its share of such Broken Deal Expenses. Kinderhook's practice of allocating Broken Deal Expenses among investing Funds is discussed under "Conflicts of Interest," below.

Also as described above, the Funds bear certain fees, costs, expenses, liabilities and obligations in addition to the Management Fee. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Kinderhook and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure,

develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the items described above, which generally are expected to be significant. In certain cases, the expenses described above or similar expenses (and/or Portfolio Company Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. Kinderhook reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant general partner has committed in making investments on behalf of the Fund. Additionally, subject to the Partnership Agreement, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. 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, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Kinderhook Industries generally does not receive a carried interest allocation ("**Carried Interest**") for its advisory services to the Funds. Rather, the Funds' general partners receive a Carried Interest equal to 20% of all aggregate realized profits from each of the relevant Funds in excess of an 8% compound preferred return as more fully described in the applicable Fund's Partnership Agreement. If a general partner receives Carried Interest distributions of the applicable Fund which are, in the aggregate, in excess of 20% of such Fund's cumulative net profits (subject to the 8% compound preferred return), then such excess Carried Interest distributions will be subject to repayment by such general partner. Kinderhook does not advise Funds not subject to a Carried Interest. Additionally, to the extent that Kinderhook has Funds with varying Carried Interest terms (including amount, timing, waterfall conditions or other terms) and/or Kinderhook personnel are assigned varying percentages of Carried Interest from the Funds, Kinderhook and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher Carried Interest percentage.

Kinderhook seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Partnership

Agreement, as well as other factors that do not include the amount of performance-based compensation received by Kinderhook or any personnel.

TYPES OF CLIENTS

Kinderhook provides investment advice solely to its Fund clients, and references throughout this Brochure to “clients” and to Kinderhook’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Funds may include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds generally 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 from time to time include, directly or indirectly, the Principals or other employees of Kinderhook and its affiliates and members of their families, Operating Partners or other service providers retained by Kinderhook, as well as executives of portfolio companies.

The Funds generally have a minimum investment amount of between \$1 million and \$5 million, as further described in the Funds’ respective Memoranda, for third-party investors, but allow lesser amounts if waived by Kinderhook. The Fund interests are offered and sold solely to a limited number of “accredited investors” as defined in Regulation D promulgated under the Securities Act of 1933, as amended. The Funds will accept commitments only from persons who are “qualified purchasers” as that term is defined under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (or qualified knowledgeable Kinderhook personnel).

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Kinderhook seeks to partner with management to make equity and equity-like investments in companies in the lower middle market. Kinderhook is focused on acquiring and growing non-core divisions of corporate parents, entrepreneurial businesses in transition and family-owned businesses seeking liquidity. Kinderhook seeks to acquire companies that are, or have the potential to become, market leaders through investment or add-on acquisitions under Kinderhook’s ownership.

Kinderhook seeks to develop a disciplined and repeatable approach to investing in the lower middle market. Once an investment opportunity has been identified, Kinderhook seeks to implement an effective operating strategy to improve the performance of the acquired company by (i) partnering with the management team to drive operating efficiencies and organize growth and (ii) providing significant financial and management resources where needed and (iii) identifying additional follow-on acquisitions to drive scale.

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

Investment and Operating Strategy

Lower Middle-Market Focus. Kinderhook believes that this market contains a large target universe of acquisition prospects with less sophisticated intermediation, is characterized by a favorable ratio of capital to investment opportunities, and is comprised of a significant number of sound businesses that are under-managed and/or under-capitalized.

Close Network of Sourcing Relationships. Kinderhook targets transactions sourced through a network of business brokers, managers, advisors, lawyers, accountants, bankers, lenders and other intermediaries. This approach has enabled Kinderhook to build strong relationships within the broker community and allowed Kinderhook to identify proprietary transactions early in their scale processes.

Build Management Team. Kinderhook seeks to partner with executives who possess superior talent on a relative basis in the markets in which they compete and who can add value both pre-and post-investment. In order to cultivate strong management partnerships in successful investments, Kinderhook attempts to bring high-quality executives down market to lower middle-market businesses. Kinderhook maintains a network of senior executives across various industries and geographies who may ultimately source deals, serve as portfolio company directors, serve in direct management roles, invest in portfolio companies alongside Kinderhook and/or invest in the Funds.

Follow-on Acquisitions. Kinderhook invests substantial resources in identifying and executing on follow-on acquisitions which drive scale and internal operating efficiencies. To date, Kinderhook has completed more follow-on acquisitions than platform investments.

Post-Acquisition Value Creation. Kinderhook pursues investment opportunities in which it believes it can create value by implementing strategic and operational changes. After the acquisition of a portfolio company, Kinderhook focuses on organic growth. This growth may be achieved through improved marketing, product line extensions, geographic expansion, better supply chain management or more efficient distribution. In some instances, Kinderhook may acquire companies with one or more deficiencies, such as an inadequate existing management team, customer concentration or poor management information systems. Kinderhook attempts to utilize the due diligence process to identify and understand the risks to which its capital may be exposed during the investment and then tries to work with management pre-acquisition to develop plans to correct, diversify or mitigate these risks post-acquisition. As part of Kinderhook's investment strategy, it believes that assuming these risks present Kinderhook with opportunities to pay a lower multiple at the time of acquisition and, after correcting them, realize a higher multiple upon exit.

Risks of Investment

Each Fund and its investors bear the risk of loss that Kinderhook's investment strategy entails. Potential investors should review the applicable Fund's Memorandum for information regarding risks specific to each Fund. In general, the risks involved with Kinderhook's investment strategy and an investment in the Funds include, but are not limited to:

Business Risks. Each Fund's investment portfolio may 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 prior investments of the Principals or of any of the Funds is not necessarily indicative of a Fund's future results. Descriptions of specific investments included in this Brochure are for illustration of Kinderhook's investment process only, and are not a guarantee that specific investments made by the Funds will be successful. While Kinderhook intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund 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, each 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, the Funds 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 Management Fees during the commitment period or investment period based on the entire amount of their commitments and other expenses as set forth in the respective Fund's Partnership Agreement.

Dynamic Investment Strategy. While Kinderhook generally intends to seek attractive returns for the Funds primarily through making private equity investments, Kinderhook is permitted to pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Kinderhook is permitted to 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 the Funds 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 Kinderhook) may exceed its income, thereby

requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

Lack of Unilateral Control. Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the relevant Fund or its limited partners. Such third parties may be in a position to take action contrary to a Fund's business, tax or other interests, and such Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that such Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

Leveraged Investments. The Funds is permitted to make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by a Fund will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of its investments. 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 the Funds' 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 the Funds' 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, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, should the credit markets be limited or costly at the time the Funds determine that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

The Funds are permitted to use credit facilities for the purchase or implementation of certain investments or for other portfolio management purposes. Should such credit facilities be utilized, the relevant Fund would incur additional interest and other expenses with respect to such facilities. Any such credit facility provider that permits a Fund to borrow may accept Fund assets as collateral for such credit facility and may be permitted to require the sale or liquidation of Fund assets held by it as collateral, after default by such Fund pursuant to the agreement with such credit facility provider. Events of default under any such credit facility may include, among other things,

failure to pay amounts due under such credit facility, failure to inform the credit facility provider of certain events with respect to such Fund, failure to provide the credit facility provider with certain periodic reports and financial statements, breach by such Fund of other representations and covenants contained in credit facility documentation and other similar terms. In such instances, the credit facility provider may take any such action without notice to the relevant Fund or Kinderhook. If any such credit facility provider were to require a Fund to sell or liquidate assets or otherwise act to realize on such collateral, these actions may impair the operational capabilities of such Fund and have adverse tax and economic effects on such Fund.

In connection with any financing or other borrowing transaction, Kinderhook shall have the right, at its option, to pledge any or all of the assets of a Fund, including the partners' unfunded commitments, as security for any financing incurred directly or indirectly by such Fund. Limited partners may be required to honor capital calls made by the lender.

Subscription Lines. A Fund generally is permitted to 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, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the 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 its Partnership Agreement, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby benefits the marketing efforts of the relevant general partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to a subscription line may impose restrictions on the relevant general partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant general partner may request certain financial information and other documentation from limited partners to share with lenders. The general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

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

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of the Funds' 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 Fund's Partnership Agreement, including the value used to determine the amount of Carried Interest available to the general partner with respect to such investment.

Reliance on Kinderhook and Portfolio Company Management. Each Fund will be dependent on Kinderhook. Control over the operation of each Fund is vested with Kinderhook, 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 the Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the 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 the Funds, and as a result, the investment performance of the Funds will depend on the actions of Kinderhook. In addition, certain changes in Kinderhook or circumstances relating to Kinderhook may have an adverse effect on a Fund or one or more of its portfolio companies, including potential acceleration of debt facilities.

Although Kinderhook will monitor the performance of Fund investments, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend 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 a Fund's objectives.

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

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The United States Foreign Account Tax Compliance Act ("FATCA") aims to combat tax evasion by United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. Pursuant to FATCA, the United States has entered into numerous intergovernmental agreements with other countries to facilitate the collection and sharing of information by such financial institutions. In addition, the Organization for Economic Co-operation and Development (the "OECD") 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 the Funds and/or alternative investment vehicles, and may require Kinderhook 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 required information may result in withholding taxes, government-imposed penalties, expulsion from a Fund and/or alternative investment vehicles or other potential remedies. 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 gross proceeds of a disposition of stock, unless an exception applies. The Funds may be required to withhold such taxes from certain non-U.S. limited partners, unless an exception applies.

Limited Access to Information. Limited partners' rights to information regarding a Fund, the relevant general partner or Kinderhook generally will be specified, and in many cases strictly

limited, by the relevant Partnership Agreement. In particular, it is anticipated that the relevant general partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Kinderhook's control. Decisions by Kinderhook or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Kinderhook and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and Kinderhook reserves the right to withhold certain information from investors subject to such laws for reasons relating to Kinderhook's public reputation, business strategy or other reasons.

Material, Non-Public Information; Other Regulatory Restrictions. As a result of the operations of Kinderhook and its affiliates, as well as in connection with officerships or directorships of Kinderhook personnel, Kinderhook frequently comes into possession of confidential or material, non-public information. Therefore, Kinderhook and its affiliates may have access to material, non-public information that might 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 Kinderhook's internal policies and practices.

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

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.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, each Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Funds 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. The Funds may invest in portfolio companies that are organized under the laws of or have substantial sales or operations in a jurisdiction outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the partners with respect each of the Fund's income, and possible non-U.S. tax return filing requirements for each Fund and/or their partners.

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

Public Company Holdings. The Funds' investment portfolios may contain securities and debt issued by publicly-held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately-held companies. Such

risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds 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.

Director Liability. The Funds 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 the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

Limitation of Recourse and Indemnification. A Partnership Agreement may limit the circumstances under which a 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, a Partnership Agreement may provide that a Fund will indemnify the general partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of a Fund. Such indemnification obligations could materially impact the returns to limited partners.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, a Fund and its 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., in respect of 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 relevant Fund and, ultimately, its investors.

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 Kinderhook'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.

U.S. Federal Income Tax Liability Resulting from IRS Audits. U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by a Fund absent an election to the contrary. In addition, a "partnership representative" will have the power to act on behalf of such Fund and its partners in all IRS audits and other proceedings involving such Fund's U.S. federal income, loss, deductions and credits.

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 the Funds and their 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 the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

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

Valuation of Investments. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, a Fund's 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 Fund's 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. There can be no assurance that the valuation decision of a Fund's general partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Kinderhook or one of its service providers holding its financial or investor data, Kinderhook, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Impact of Government Regulation, Reimbursement and Reform. Certain industry segments in which a Fund may invest, including various segments of the healthcare and financial services industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund may invest.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Kinderhook and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact

Kinderhook and its affiliates, the Funds and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds.

Russia-Ukraine Conflict. There is currently an ongoing military conflict between Russia and the Ukraine which, in a relatively short period of time, has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives.

Conflicts of Interest

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

Until such time as Kinderhook is permitted under a Fund's Partnership Agreement to raise a successor investment fund to such Fund, Kinderhook generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of such Fund for the benefit of such Fund, subject to certain limited exceptions set forth in such Fund's Partnership Agreement and Kinderhook's allocation policy. However, Kinderhook currently manages, and expects in the future to manage, several other investment funds and investments similar to those in which a Fund will be investing, and expects to direct certain relevant investment opportunities or resources to those investment funds and investments Kinderhook personnel reserve the right to manage their

own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to these the foregoing. Kinderhook's investment staff will continue to manage and monitor such investment funds and investments. The significant investment of the Principals in the Funds, as well as Kinderhook's interest in the Carried Interest, operate to align, to some extent, the interests of Kinderhook with the interests of the Funds and the limited partners, although Kinderhook has economic interests in such other investment funds and investments as well and receives management fees and carried interest relating to certain of these other interests. Such other investment funds and investments that Kinderhook expects from time to time to control or manage generally have the potential to compete with one or more of the Funds or companies acquired by the Funds. Following the investment period of a Fund, Kinderhook reserves the right to, and likely will, focus its investment activities on other opportunities and areas that may or may not be related to such Fund's investments. To the extent an advisory opportunity is received that is unsuitable for a Fund, in Kinderhook's sole discretion, Kinderhook and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Partnership Agreement, Kinderhook personnel are permitted to serve on boards or act in other roles unaffiliated with Kinderhook, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

From time to time, Kinderhook will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds, and any other investment vehicles operated by Kinderhook. In determining which investment vehicles should participate in such investment opportunities, Kinderhook is subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Kinderhook in a portfolio company also have the potential to raise the risk of using assets of a client of Kinderhook to support positions taken by other clients of Kinderhook.

Kinderhook must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Kinderhook generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: such Fund's investment restrictions and objectives (including those set forth in such Fund's Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, 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 generally reserves the right to invest together with other Funds advised by an affiliated adviser of Kinderhook in the manner set forth in the relevant Partnership Agreements and Kinderhook's allocation policy. Kinderhook will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Kinderhook's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Kinderhook 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 Kinderhook reserves the right to offer any

such excess to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and Kinderhook's allocation policy. Kinderhook'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; Kinderhook'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 Kinderhook'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; existence of a formal or informal strategic relationship with the prospective co-investor and whether Kinderhook 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 Kinderhook. Although Kinderhook reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Kinderhook in identifying co-investors. Additionally, Kinderhook reserve the right to permit Operating Partners, vendors or service providers to co-invest alongside the Funds. Kinderhook reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in portfolio companies or otherwise to have priority in co-investment opportunities. Kinderhook endeavors to remain informed regarding investor interest in co-investments.

Furthermore, Kinderhook or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and because co-invest opportunities generally appeal to Fund investors and third parties, Kinderhook expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund. When and to the extent that employees and related persons of Kinderhook make capital investments in or alongside certain Funds, Kinderhook is subject to potentially 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.

Kinderhook's allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While Kinderhook will allocate investment opportunities in a manner that it believes 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 potential conflicts of interest to which Kinderhook expects to be subject, discussed herein, did not exist.

In certain cases, Kinderhook will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Kinderhook will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, 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.

Potential conflicts are expected to arise when and to the extent that 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 likely will 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. Kinderhook and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally. 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 taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements, Kinderhook will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Kinderhook expects to 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 Kinderhook or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses will not always be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on the 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

Kinderhook. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment. Additionally, a Fund may be required to bear all costs, expenses, liabilities and obligations relating to any unconsummated investment that might have been allocated to one or more persons co-investing in such proposed investment had the proposed investment been consummated, irrespective of whether any such co-investor or potential co-investor had been identified prior to such time that such proposed investment was not consummated or any determination had been made by Kinderhook regarding any co-investment opportunities with respect to such proposed investment.

As a result of the Funds' controlling interests in portfolio companies, Kinderhook typically has the right to appoint portfolio company board members (including current or former Kinderhook 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 Kinderhook in connection with services provided by Kinderhook and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreements' offset provisions, are in addition to the Management Fees or Carried Interest discussed herein. Kinderhook's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to Kinderhook subjects Kinderhook and any such portfolio company board appointees to potential conflicts of interest. Although the interests of the Funds and their portfolio companies typically are closely aligned, in certain limited circumstances, actions that may be in the best interest of a portfolio company may not be in the best interest of the relevant Fund, and vice versa. Kinderhook personnel serving on the boards of portfolio companies will consider all relevant facts before coming to a decision or making a recommendation.

Additionally, a portfolio company typically will reimburse Kinderhook or service providers retained at Kinderhook's discretion for expenses (including, without limitation, travel expenses) incurred by Kinderhook or such service providers in connection with the performance of services for such portfolio company. This subjects Kinderhook 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. Kinderhook 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 Kinderhook or such service providers generally is subject to: agreements with 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 conflicts of interest.

In connection with its services to the Funds and their investments, Kinderhook, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Kinderhook's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Kinderhook and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands,

customers, vendors and other metrics (collectively, “**Kinderhook Information**”). In many cases, Kinderhook Information will include tools, procedures and resources developed by Kinderhook to organize or systematize Kinderhook Information for ongoing or future use. Although Kinderhook expects its Funds and their portfolio companies generally to benefit from Kinderhook’s possession of Kinderhook Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Kinderhook and its personnel) and not by the Fund or portfolio company from which Kinderhook Information was originally received. Kinderhook Information will be the sole intellectual property of Kinderhook and solely for the use of Kinderhook. Kinderhook reserves the right to use, share, license, sell or monetize Kinderhook Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

Kinderhook generally exercises discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Kinderhook or a related person (including a portfolio company of such Fund), (ii) an entity with which Kinderhook or its (current or former) personnel have a relationship or from which Kinderhook or its personnel otherwise derive financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Kinderhook personnel are seconded, or from which Kinderhook receives secondees or (iii) certain limited partners or their affiliates. For example, Kinderhook expects to 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 Kinderhook to conflicts of interest, because, although Kinderhook selects service providers that they believe are aligned with operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Kinderhook has a potential incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that Kinderhook, 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 Kinderhook), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Kinderhook may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Kinderhook generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where Kinderhook commits or has committed to seek “market” or “arms-length” rates or terms, Kinderhook will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Kinderhook reserves the right to deem third-party investment in a transaction to be verification that the

transaction was entered into at a value that is “arms-length.” Consequently, Kinderhook undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, Kinderhook reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not Kinderhook has a relationship or receive 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.

Although uncommon, Kinderhook reserves the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Kinderhook, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment’s fair value. To the extent required by the relevant Funds’ Partnership Agreements or otherwise in the sole discretion of Kinderhook, Kinderhook reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund’s advisory board) to such transactions. In certain circumstances, Kinderhook reserves the right to 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. Kinderhook intends that any such transactions be conducted in a manner that it believes 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.

Although Kinderhook generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund ultimately 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 such case, Kinderhook 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.

Kinderhook reserves the right to employ personnel with pre-existing ownership interests in, or who were employed by, portfolio companies owned by the Funds or other investment vehicles advised by Kinderhook; conversely, current or former personnel or executives of Kinderhook are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Kinderhook. Similarly, Kinderhook and/or its personnel maintain relationships with (and 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, Kinderhook and/or the Funds or other investment vehicles it advises. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Kinderhook entities) to Kinderhook personnel and their estate planning vehicles. Kinderhook expects to be subject to a potential 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 Kinderhook information about markets and industries in which Kinderhook operates (or is contemplating operations) or will provide other services that are beneficial to Kinderhook or one or more other Funds. Kinderhook expects to be subject to a potential conflict of interest in making such recommendations, in that Kinderhook has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for a Fund, while the products or services recommended will not always necessarily be the best available to the portfolio companies held by a Fund.

In certain circumstances, current or former Kinderhook personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Kinderhook. Under such arrangements, Kinderhook and/or the relevant portfolio company is authorized to 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 or to former employees generally will not offset or reduce 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 or when the position can be filled on a longer-term or permanent basis. Employees may or may not return to Kinderhook at the end of such secondee arrangement.

Kinderhook and its Principals, equity holders, officers, and employees reserve the right to buy or sell securities or other instruments that Kinderhook has recommended to a Fund. In addition, the Principals reserve the right to buy securities in transactions deemed unsuitable for a Fund, but will not in such circumstances be required to share in or reimburse the relevant Fund for due diligence or other expenses (including Broken Deal Expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in Kinderhook's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund. Employees and related persons of Kinderhook 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 Kinderhook expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the Partnership Agreement, Kinderhook and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Partnership Agreement and anti-"assignment" provisions of the Advisers Act, Kinderhook and its personnel are also permitted to offer, restructure and monetize interests in Kinderhook.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to, and reimburse expenses of, Operating Partners and other consultants (including consultants introduced or arranged by Kinderhook and/or its affiliates that may regularly provide services to one or more portfolio companies), and such amounts do not offset or reduce the Management Fees as described herein. Operating Partners may make use of Kinderhook's resources or otherwise be associated with Kinderhook. Kinderhook and/or its affiliates reserve the right to 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. Operating Partners are expected from time to time to include former employees of Kinderhook or certain portfolio companies, and in some circumstances former Operating Partners are expected to become Kinderhook employees or employees of portfolio companies. Consequently, the determination of whether individuals are Operating Partners is expected to vary and/or be revisited from time to time. Operating Partner compensation is expected to include cash fees, securities of a portfolio company and/or a share of proceeds upon sale of a portfolio company. Additionally, portfolio companies may provide opportunities for Operating Partners to invest in such portfolio company and reimburse costs and expenses incurred by Operating Partners. Operating Partners also may have a limited partner interest in one or more Funds or general partners, may receive remuneration from Kinderhook and/or the Funds or their affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to an Operating Partner will not offset or reduce the Management Fee of any Fund as described herein. To the extent that Operating Partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Partner's services at a time when fewer portfolio companies or Funds make use of such Operating Partner. Although the use of Operating Partners and the allocation of compensation paid to them by the portfolio companies have the potential to subject Kinderhook and/or its affiliates to potential conflicts of interest, Kinderhook believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the quality of the services of the Operating Partner makes a greater contribution to the success of the portfolio company. Although Kinderhook seeks to retain Operating Partners 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.

Kinderhook also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Kinderhook believes will align such persons' interests with those of the Funds' limited partners.

Because Kinderhook's Carried Interest is based on a percentage of net realized profits, it may create an incentive for Kinderhook to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, 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 creates an incentive to deploy capital when Kinderhook may not otherwise have done so.

Since Kinderhook is permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with Fund investments, Kinderhook expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. Additionally, Kinderhook, its personnel, affiliates or others designated by Kinderhook expect from time to time to 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 Partnership Agreements are applied, Kinderhook and/or such other recipients will be permitted to retain such securities as Portfolio Company 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 Kinderhook) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation.

The Funds and/or Kinderhook reserve the right to enter into Side Letter arrangements with certain investors in a Fund, providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Funds. Except where required by the relevant Partnership Agreement, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, Kinderhook, the relevant general partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. Side Letters subject Kinderhook to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material

manner by the unfavorable performance of particular investments. Although Kinderhook believes it to be unlikely, excuse rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by Kinderhook on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Partnership Agreement; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

Kinderhook has incentives to use or to recommend products or services of one portfolio company to another, which would involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Kinderhook has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended will not always necessarily be the best or lowest cost option. In most cases, the relevant Fund will not consent, participate in the negotiations or be directly involved in such arrangements. From time to time Kinderhook and 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. Because its portfolio companies offer such discounts to customers other than Kinderhook and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Kinderhook believes that the potential for conflicts of interest relating to such discounts is mitigated. Kinderhook, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to Kinderhook, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

The relevant liability standards under insurance coverage procured by Kinderhook are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Partnership Agreements. Investors generally will be responsible for insurance premiums, as set forth in the Partnership Agreements, regardless of whether the liability and/or indemnity standards in Kinderhook's insurance coverage are higher or lower than that set forth in the Partnership Agreements.

Any of these situations subjects Kinderhook and/or its affiliates to potential conflicts of interest. Kinderhook will attempt to resolve such conflicts of interest in light of its obligations to investors in its Funds and any other investment vehicles managed by Kinderhook, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Kinderhook will

review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Kinderhook consults and receives consent to conflicts from an advisory board consisting of the limited partners of the relevant Fund(s) and such other investment vehicles.

DISCIPLINARY INFORMATION

Kinderhook 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

Kinderhook Industries is affiliated with other investment advisers, including general partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Kinderhook Industries' registration in accordance with SEC guidance. These advisers also include Kinderhook Industries' relying advisers that are registered under the Advisers Act pursuant to the registration of Kinderhook Industries. These affiliated investment advisers operate as a single advisory business together with Kinderhook Industries and serve as managers or general partners of the Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Kinderhook has adopted the Kinderhook Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of Kinderhook Principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Kinderhook personnel to report their personal securities transactions, prohibits or requires pre-clearance for Kinderhook personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Kinderhook personnel from directly or indirectly acquiring beneficial ownership of certain securities, without first obtaining approval from the Kinderhook Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material, non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to the Kinderhook Chief Compliance Officer, at (212) 201-6780. 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.

Kinderhook and its affiliated persons 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, Kinderhook 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 Kinderhook.

Accordingly, should Kinderhook or any of its affiliated persons come into possession of material, non-public or other confidential information with respect to any public company, Kinderhook would be prohibited from communicating such information to clients, and Kinderhook

will have no responsibility or liability for failing to disclose such information to clients as a result of following its policies and/or procedures designed to comply with applicable law. Similar restrictions would be applicable as a result of Kinderhook's personnel serving as directors of public companies and would restrict trading on behalf of clients, including the Funds.

Principals and employees of Kinderhook and its affiliates generally are expected to directly or indirectly own an interest in Funds, including the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as the Funds. Co-invest opportunities generally are also expected to be presented to certain affiliates of Kinderhook, as well as third party investors, Operating Partners and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company or through an intermediate entity in a portfolio company. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

Kinderhook and its affiliates, Principals and employees expect from time to time to carry on investment activities for their own accounts, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Funds, as well as give advice and recommend securities to vehicles which differs from advice given to, or securities recommended or bought for, the Funds even though their investment objectives are the same or similar.

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

Kinderhook will effect such borrowings consistent with the relevant Partnership Agreement and in a manner it believes to be fair and equitable under the circumstances to such Fund.

BROKERAGE PRACTICES

Kinderhook 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, Kinderhook reserves the right to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although Kinderhook does not intend to regularly engage in public securities transactions, to the extent it does so, it intends to follow the brokerage practices described below.

If Kinderhook sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Kinderhook. In such event, Kinderhook will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Kinderhook reserves the right to 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.

Kinderhook 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 Kinderhook generally seeks competitive commission rates, it will not always necessarily pay the lowest commission or commission equivalent. Transactions that involve specialized services on the part of the broker involved often will entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Kinderhook seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although Kinderhook generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of Kinderhook’s Funds. However, each and every research service will not be used for the benefit of each and every Fund managed by Kinderhook, and brokerage commissions paid by one Fund are expected to be applied towards payment for research services that might not be used in the service of such Fund. Research services will be shared among Kinderhook and its affiliates.

Kinderhook does not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, Kinderhook, in its discretion, reserves the right to cause the Funds to pay such brokers a commission for effecting portfolio transactions in

excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This generally arises where Kinderhook has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, Kinderhook would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

Kinderhook will periodically determine which brokers have provided research that has been helpful in the management of the Funds. To the extent consistent with Kinderhook's goal to obtain best execution for the Funds, Kinderhook reserves the right to seek to place a portion of the trades that it directs with the brokers who are identified through this process.

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

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

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

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

In Kinderhook's private company securities transactions on behalf of the Funds, Kinderhook reserves the right to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Kinderhook reserves the right to consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Kinderhook generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities

brokerage transactions, and the Funds will not always pay the lowest commission or fee for such services.

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, Kinderhook closely monitors companies in which the Funds invest, and the Kinderhook Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

CLIENT REFERRALS AND OTHER COMPENSATION

Kinderhook and/or its affiliates intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services. As described in the applicable Fund's Partnership Agreement, 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 are in addition to Management Fees. See "Fees and Compensation."

Kinderhook reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents generally will be borne by Kinderhook indirectly through an offset against the Management Fee under the relevant Partnership Agreement, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

CUSTODY

Kinderhook generally expects that it will be deemed to have "custody" (within the meaning of Advisers Act Rule 206(4)-2) of the Funds' assets held in each Fund's name with qualified custodians. The Funds are subject to an annual GAAP audit and financials are sent to investors in the Funds.

INVESTMENT DISCRETION

Kinderhook has discretionary authority to manage the investments on behalf of the applicable Fund pursuant to the respective Partnership Agreements described under "Advisory Business." As a general policy, Kinderhook does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreements, however, the Funds and/or Kinderhook have entered, and expect to enter, into Side Letter arrangements with certain limited

partners whereby the terms applicable to such limited partners' investments in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Kinderhook assumes this authority pursuant to the terms of the Partnership Agreements and powers of attorney executed by the limited partners of the Funds.

VOTING CLIENT SECURITIES

Kinderhook has adopted the Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for each Fund's portfolio investments. The Proxy Policy seeks to ensure that Kinderhook votes proxies (or similar instruments) in the best interest of the Funds, including where there are material conflicts of interest in voting proxies. Kinderhook generally believes its interests are aligned with those of Funds' limited partners through the Principals' beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is an actual or potential conflict of interest in voting proxies, the Proxy Policy provides that Kinderhook 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 is authorized to approve Kinderhook's vote in a particular solicitation. Kinderhook does not consider service on portfolio company boards by Kinderhook personnel or their 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 Kinderhook when voting proxies on behalf of the Funds. If you would like a copy of Kinderhook's complete Proxy Policy or information regarding how Kinderhook voted proxies for particular portfolio companies, please contact the Kinderhook Chief Compliance Officer, at (212) 201-6780, and it will be provided to you at no charge.

FINANCIAL INFORMATION

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