



Form ADV  
Part 2A: Firm Brochure  
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This brochure provides information about the qualifications and business practices of Berkshire Partners LLC. If you have any questions about the contents of this brochure, please contact us at (617) 227-0050 or [compliance@berkshirepartners.com](mailto:compliance@berkshirepartners.com). 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 securities authority.

Additional information about Berkshire Partners LLC also is available on the SEC's website at <http://www.adviserinfo.sec.gov>. An investment adviser's registration with the SEC does not imply a certain level of skill or training.

**Item 2.**

Berkshire Partners LLC is pleased to provide its clients with this Brochure, which is the firm's Form ADV Part 2A. This Brochure contains important information about the business practices of the Adviser (as defined below), as well as a description of potential conflicts of interest relating to the firm's advisory business that could affect a client's account with the Adviser. The Adviser has experienced no material changes since its last Form ADV submission. This Brochure includes clarifying information about fees and expenses, risks, and conflicts of interest. In addition, the Adviser routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

## Item 3.

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## Item 4. Advisory Business

For purposes of this Brochure, the “Adviser” means Berkshire Partners LLC, a Massachusetts limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). Such affiliates may or may not be under common control with Berkshire Partners LLC but possess a substantial similarity of personnel and/or equity owners with Berkshire Partners LLC. These affiliates are generally formed for tax, regulatory or other purposes in connection with the organization of the Funds or may serve as general partners of the Funds. The Adviser is wholly owned by BPSP, L.P., which is in turn wholly owned by Berkshire Partners Holdings LLC. Stockbridge Partners LLC (together with its affiliates, including general partner entities, that provide advisory services to and/or receive fees from pooled investment vehicles and other clients advised by Stockbridge Partners LLC, “Stockbridge”), which is also wholly owned by BPSP, L.P., is an investment adviser and affiliate of Berkshire Partners LLC and has prepared a separate brochure and Form ADV. For the avoidance of doubt, the term “Adviser” as used herein does not include Stockbridge, and the term “Stockbridge” does not include the Adviser.

The Adviser provides investment advisory services to investment vehicles (the “Funds”), including certain Coinvestment Vehicles (as defined herein), that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), the interests of which are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Adviser pursues two strategies: Berkshire Private Equity (“Berkshire PE”), which is focused on middle market private equity; and Berkshire Digital Infrastructure (“Berkshire DI”), which is focused on digital infrastructure (“DI”) investing, that will be managed by a team of senior professionals from the Berkshire PE business with a history of investing in the DI sector.

The Funds managed by Berkshire PE (the “PE Funds”) make primarily long-term private equity and equity-related investments. Funds managed by Berkshire DI (the “DI Funds”) will target investments that provide the infrastructure that is expected to enable delivery of a range of products and services that are components of the evolving digital economy. In accordance with the Funds’ respective investment objectives, the Funds’ investments historically have been focused in industries where the Adviser has developed particular expertise, including, for the PE Funds, consumer, business services and technology, communications, industrials and healthcare and, for the DI Funds, wireless access, data centers and cloud, and network infrastructure. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser provides investment advisory services to each Fund in accordance with separate investment advisory, investment management or portfolio management agreements, as applicable (each, an “Advisory Agreement”), the applicable governing agreement of a Fund (such as a limited partnership agreement or analogous organizational document (each, an “Organizational Document”)) and/or side letters with limited partners of the Funds (“Side Letters,” and together with the Advisory Agreements and the Organizational Documents, the “Governing Documents”).

Investment advice is provided directly to the Funds (subject to the discretion and control of the applicable general partner, if applicable) and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the applicable Governing Documents of each Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of each applicable Fund.

The Adviser has been in business since 1986. As of December 31, 2021, the Adviser managed a total of \$23,824,862,180 of client assets, all of which is managed on a discretionary basis.

The Adviser does not participate in wrap fee programs.

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

As compensation for investment advisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital or remaining invested capital with respect to such Fund. Advisory Fees may be reduced or waived during the life of a Fund. Advisory Fees paid by a Fund are indirectly borne (to the extent not waived) by investors in such Fund.

In addition, the Adviser and its employees perform consulting, transaction-related, financial advisory and other services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with operational and financial matters, structuring investments in such portfolio companies, as well as mergers, acquisitions, operations, restructurings, add-on acquisitions, other projects, refinancings, public offerings, sales, terminations, divestments or other dispositions and similar transactions with respect to such portfolio companies (“Transaction Fees”).

The Adviser and its affiliates also receive “Monitoring Fees” pursuant to management agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser and its affiliates to such portfolio companies. The terms of a management agreement may include (among other things) annual automatic renewals, the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric), and the acceleration of payment of the Monitoring Fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. The Adviser has not generally charged accelerated monitoring fees in the past and expects accelerated Monitoring Fees in the future to be rare (e.g., in the case of a consortium transaction in which a third-party coinvestor is charging such an accelerated Monitoring Fee). Because the management agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), in the rare event that an accelerated Monitoring Fee is charged, the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund’s investment in such portfolio company.

In addition, the Adviser and its affiliates receive fees in connection with serving on the board of directors of a portfolio company (“Director Fees”) and in connection with an unconsummated transaction (“Break-Up Fees” and, together with Transaction Fees, Monitoring Fees and Director Fees, the “Portfolio Company Fees”). The amount and timing of Portfolio Company Fees received by the Adviser are generally specified in the agreement or other documentation governing the transaction. The Adviser and its affiliates have received and may receive in the future Director Fees from a single portfolio company in which multiple Funds and/or a Fund and a Stockbridge Fund (as defined below) has invested.

Although these Portfolio Company Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Portfolio Company Fees. The Adviser will not, however, reduce the amount of Advisory Fees paid by the applicable Fund with respect to fees received by Portfolio Advisors (as discussed below). The amount and manner of such reduction is set forth in the Governing Documents of the applicable Fund. Only that portion of such Portfolio Company Fees allocable to the Fund will reduce the Advisory Fee as described above. To the extent permitted in the Governing Documents of a Fund, if a Portfolio Company Fee relates to more than one Fund, the portion of the Portfolio Company Fee allocable to capital invested by a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees or to capital committed by a Fund investor that does not pay Advisory Fees, will be retained by the Adviser and such amounts will not offset the Advisory Fee. Specifically, Directors Fees paid to the Adviser or its affiliates by a portfolio company in which multiple Funds and/or a Fund and a Stockbridge Fund has invested are generally allocated pro rata among such Fund(s) and/or such Stockbridge Fund(s). Because Directors Fees do not reduce the advisory fee paid by the Stockbridge Funds, the Adviser or its affiliates will be entitled to retain such Directors Fees that are allocated to the Stockbridge Fund without remitting such amounts to the applicable Fund. Furthermore, Portfolio Company Fees are generally allocated pro rata among a Fund and

other coinvestment parties that coinvested or proposed to coinvest with such Fund based on the capital the Fund and each such other coinvestment party has invested or proposed to invest in the portfolio company or prospective portfolio company.

Generally, under the terms of the applicable Governing Documents, for purposes of calculating any Advisory Fee offset, Portfolio Company Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Portfolio Company Fees may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. For the avoidance of doubt, any fees paid to the Adviser or its personnel after a Fund has exited an investment are not considered "Portfolio Company Fees" in every instance and in such cases would not reduce the Advisory Fee.

Certain other fees and reimbursements that are generally not considered "Portfolio Company Fees" and do not reduce the Advisory Fee payable by a Fund include (but are not limited to) the following: (i) the portion of any fees allocable to capital invested by a Fund, co-investment vehicle, third-party investor that does not pay Advisory Fees or to capital committed by a Fund investor that does not pay Advisory Fees, (ii) fees or expenses borne by a Fund directly, and (iii) any amounts paid by a former portfolio company, such as directors' fees a former portfolio company pays an Adviser professional who remains on the company's board of directors following the Fund's disposition of its investment in the company.

Additionally, consistent with the applicable Funds' Governing Documents, the Adviser is permitted to incur expenses, and a portfolio company may reimburse the Adviser for such expenses, including, without limitation, travel and travel-related expenses, meals and entertainment expenses and other out-of-pocket costs, in connection with the Adviser's performance of services for such portfolio company, which include amounts paid to consultants, law firms (including legal costs associated with reviewing financing documents and agreements on behalf of a portfolio company borrower), accountants or other advisors; such reimbursed expenses are generally not included in the definition of "Portfolio Company Fees" above, in accordance with the terms of the applicable Governing Documents, and such reimbursements are not subject to the Advisory Fee reduction arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below. As used throughout this brochure, "travel and travel-related" includes reasonable travel expenses for the use of private aircraft, first class or business class travel, private car ground transportation, accommodations, meals, events and entertainment.

The Adviser, or its Managing Directors or employees on behalf of the Adviser, occasionally receives stock options, equity incentives or other compensation from a portfolio company as payment for the service of a Managing Director or employee of the Adviser on the board of directors of such portfolio company or as compensation for other services provided to such portfolio company. In the event of such a receipt of equity incentives or other compensation, the recipients or the Adviser, with respect to compensation received, may act in their or its own interests with respect to the stock options or other securities received and may determine to exercise or sell such securities or to hold the securities for such time as such recipients or the Adviser, shall determine. The ability of such recipients or the Adviser to act in their or its own interests with respect to such securities creates a conflict of interest between the Adviser, as an adviser to the Funds, and its related persons, on the one hand, and the Funds, on the other because the recipient's interests may not be aligned with those of the Funds (e.g., because the recipient may have a different targeted return than what the Adviser targets for a Fund), and the recipient may determine to sell the stock received at a different time, or on different terms, than the Fund would sell its interest. When allocating options granted for board of director or other service among multiple Funds that have invested in the same portfolio company for purposes of determining the appropriate Advisory Fee reduction, the Adviser will allocate the value of the option on a pro rata basis among the Funds that were invested in a portfolio company at the time the option was granted.

In addition, from time to time, the Adviser retains or assists a portfolio company with retaining, other companies or individuals, including third-party advisors such as specialized consultants or external executives, to provide strategic advice or operational support and similar or related services. These services typically include support to the portfolio company regarding, among other items, the company's management, the company's operations, revenue and margin enhancement (including determining sales and marketing strategy), finance (including metrics and reporting), human capital (including executive recruitment), information technology, customer service, sustainability, real estate matters, insurance and similar operational matters. Payment or other compensation by a portfolio company, as well as expense reimbursements associated with such services, or reimbursement to the Adviser by the portfolio company, for such third-party services, is also not subject to the Advisory Fee reduction arrangements described above.

The Adviser and its affiliates, or a portfolio company of a Fund, from time to time also engage and retain Portfolio Advisors to provide services to the Funds or certain portfolio companies, including advisory or consulting services and serving in interim management positions or as members of the boards of directors of portfolio companies. A "Portfolio Advisor" includes (i) an "Advisory Director" (which includes individuals well known to the Adviser who participate in specific activities that arise in their areas of expertise, including deal origination, due diligence investigation, investment deliberation and portfolio company support and governance), or any individual serving in a similar role, who provides advisory or similar services to a portfolio company, including without limitation, an individual who is also compensated by the Adviser for advisory services to the Adviser and regardless of whether such individual is exclusive or devotes substantially all or a portion of his or her time to the Adviser and/or its portfolio companies; (ii) as determined by the Adviser in its sole discretion, any other business executive or industry expert, other than an employee or Managing Director of the Adviser, who provides advisory services or similar services to a Fund or one or more portfolio companies; (iii) a member of a Fund's general partner (other than certain "key persons" identified in a Fund's Governing Documents) who serves in a bona fide, non-director management capacity (or other operational capacity), during the period of such person's service as such, which service involves a material portion of such person's business time at a portfolio company (as determined by the Adviser in its sole discretion); or (iv) such other individual identified by a Fund's general partner as a "Portfolio Advisor" with the consent or approval of a Fund's advisory committee. Portfolio Advisors devote a portion or substantially all of their business time to the Adviser, may have attributes of Adviser personnel (for instance, they may participate in investment staff meetings, may be provided office space and equipment, administrative support and receive information on Funds' or Stockbridge's investments and may have Adviser e-mail addresses or business cards) and are typically compensated by the Adviser, one or more Funds and/or one or more portfolio companies. It is expected that the services provided by Portfolio Advisors will expand over time. The nature of the relationship with each such Portfolio Advisor may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal, and they are negotiated individually, depending upon the anticipated services to be provided. Portfolio Advisors have in the past and will in the future receive stock options or other equity and/or management, director, consulting, advisory and other similar fees and compensation from portfolio companies (including for an allocable portion of an affiliated Portfolio Advisor's compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and also including, without limitation, a retainer, fees based on an hourly/daily/weekly rate, transaction fees in connection with the investment in or sale of a portfolio company and profits or equity interests at the portfolio company or other incentive-based compensation), as well as expense reimbursement from a Fund or its portfolio companies. Such compensation or reimbursement and related expenses, including travel costs, temporary, semi-permanent or permanent housing or relocation costs and any applicable overhead, such as accounting, network, communications, administration, office space and other support benefits received by an individual in his or her capacity as a Portfolio Advisor will not be considered Portfolio Company Fees and will not offset the Advisory Fee payable by a Fund or its investors, even if compensation or reimbursement received by a Portfolio Advisor has the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser. In addition, Portfolio Advisors have in the past and will in the future, (i) invest directly or indirectly in one or more portfolio companies; (ii) invest



in the Funds on a reduced or no-fee basis; and/or (iii) participate in a portion of the carried interest distributions received by the Adviser.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser, as agreed with investors in the applicable Fund, and are set forth in such Fund's Governing Documents received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions described above are generally subject to waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis, and may be modified subject to the consent requirements of a Fund's Governing Documents. The fee structures described herein may be modified from time to time and differ from one Fund to another.

Advisory Fees are generally payable on the tenth day of each January and July (for the six-month period from January 1 through June 30 and July 1 through December 31, respectively) (or, in the sole discretion of a Fund's general partner, quarterly in advance) until termination of the relevant Advisory Agreement.

To the extent an Advisory Agreement is terminated and not otherwise replaced, the pro rata portion of prepaid Advisory Fees will be returned or credited to the Fund's investors.

The Adviser has in the past and may in the future waive or reduce all or a portion of the Advisory Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees of the Adviser to invest in such Fund or to coinvest in a portfolio company of a Fund, which, on rare occasions, has resulted in acceleration of investor capital contributions. Waived or reduced Advisory Fees may not be subject to various offsets or the reductions described above. Due to waived or reduced Advisory Fees and/or the timing of receipt of compensation subject to offsets, Fund investors may not receive the full benefits of reductions or offsets (e.g., during periods when the Adviser no longer receives Advisory Fees and receives compensation that would otherwise be subject to offset, the Adviser, depending on certain elections that may be made by Fund investors, may be entitled to retain such compensation without remitting any such amounts to the applicable Fund or its investors). The Adviser may, in its sole discretion, waive all or any portion of an Advisory Fee with respect to any Fund.

To the extent provided in the Governing Documents of the Funds and except as otherwise described below as a fund expense, the Adviser will be responsible for all overhead expenses of the general partner, including compensation for the Adviser's employees, rent, utilities and other such expenses (not including Carried Interest described in Item 6 below). Consistent with the partnership agreements or other Governing Documents of the Funds, each Fund, in addition to the expenses contemplated by the applicable Governing Document, will be responsible for all other expenses of such Fund that are not reimbursed by portfolio companies, including without limitation: (i) legal, auditing, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company), financing, investment banking, accounting and professional fees and expenses; (ii) costs and expenses associated with the Fund's financial statements, tax returns, schedules and other reporting to the Fund's investors, including the costs and expenses associated with any software or online data portal used in connection with the maintenance of the Fund's books and with such reporting; (iii) unreimbursed transactional costs and expenses for transactions that have substantially progressed but do not close (such costs and expenses to be allocated between the applicable Fund and other Funds managed by the Adviser based on the amount of capital each Fund would have invested in the transaction), including travel, meals and entertainment, as well as compensation and expenses for Portfolio Advisors and "reverse" break-up fees to be paid by each fund in connection therewith, and, if applicable, any coinvestors' pro rata portion of such transactional costs related to unconsummated coinvestments (including any broken deal expenses and "reverse" break-up fees); (iv) other costs and expenses associated with sourcing, originating, evaluating, negotiating, investigating, developing, researching, structuring, conducting due diligence, acquiring, investing in, monitoring, valuing, selling or otherwise disposing of the Fund's assets, including, without limitation, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, research and information expenses (including data and information service subscriptions, related systems and services from data providers and data



management software), as well as the information technology systems used to obtain such research and other information, third-party diligence software and service providers, subject and industry-matter research and experts), travel and travel-related expenses, legal, accounting, financing, commitment, origination, investment banking, consulting, professional and similar fees and expenses, and any carrying costs of a Fund associated with a post-closing sell-down to a Coinvestment Vehicle; (v) costs and expenses incurred in connection with the carrying, monitoring, advising or managing of investments, including brokerage commissions, custodial expenses, appraisal fees, record keeping and other administration fees and investment costs; (vi) expenses incurred by a Fund's general partner in its capacity as the Fund's tax matters partner or partnership representative, as applicable, or similar role under applicable state or local tax law; (vii) taxes, fees or other governmental charges levied against a Fund or on its income or assets or in connection with its business or operations and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, in each case to the extent such amounts are not (A) allocable to, or subject to indemnification by, a partner, and (B) actually borne or paid by such partner; (viii) costs and expenses of litigation or other matters that are the subject of indemnification and the costs and expenses of other extraordinary events involving a Fund and the amount of any judgments or settlements paid in connection therewith; (ix) costs of insurance policies, including liability, errors and omissions insurance for a Fund's general partner and the Adviser; (x) costs of winding up and liquidating a Fund and its subsidiaries; (xi) expenses incurred in connection with a Fund's advisory committee, including meetings thereof (including speaker fees (if any), dining and entertainment), any reasonable out-of-pocket expenses of its members associated with such meetings (including travel and travel-related expenses), and other expenses incurred in connection with advisory committee action, as well as expenses incurred in connection with the engagement of third-party advisors (including legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the advisory committee) pursuant to the Governing Documents; (xii) costs and expenses incurred in connection with the meetings of the Funds' investors, including meals and the costs and expenses of any guest speakers and entertainment; (xiii) costs and expenses of third-party administrator services; (xiv) expenses relating to a defaulting investor; (xv) expenses relating to the formation and maintenance of any alternative investment vehicle; (xvi) interest on and fees and expenses arising out of all permitted borrowing and guarantees made by a Fund and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee; (xvii) costs and expenses in connection with government and regulatory filings (excluding Form ADV and Form PF), including costs and expenses associated with any filing required to be made with respect to one or more investors as a result of their jurisdiction or status, to the extent not reimbursed by such investor(s); (xviii) expenses incurred in connection with any restructuring or amendments to the constituent documents of a Fund and related entities, including such Fund's general partner, to the extent necessary to implement a restructuring or amendment of the Fund's documents; (xix) costs and expenses incurred in connection with the employment of any selling agent, broker, placement agent or finder (other than placement agent fees payable in connection with the sale of limited partnership interests in a Fund); (xx) indemnification expenses and advances; (xxi) expenses incurred in connection with distributions to a Fund's investors; (xxii) expenses relating to reports and other information prepared for and delivered to a Fund's investors; (xxiii) expenses associated with a Fund's compliance with anti-money laundering regulations or other applicable laws and regulations (including in relation to privacy, data protection, know-your-customer, sanctions or anti-terrorism considerations), including out-of-pocket costs and expenses, including related software costs and expenses, that are attributable to the operation of such Fund; (xxiv) reasonable expenses for business development, travel, meals and entertainment directly related to the development and management of portfolio companies and potential portfolio companies, to the extent not reimbursed by a third party or a portfolio company; (xxv) communications expenses; (xxvi) expenses associated with the transfer of a limited partnership interest in a Fund that are not borne by the applicable investor or transferee; and (xxvii) expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions; (xxviii) costs and expenses relating to a Fund's direct and indirect subsidiaries, including any real estate investment trust ("REIT") subsidiaries, to the extent applicable; (xxix) establishing, implementing, monitoring and/or measuring the impact of ESG (as defined below) policies and programs with respect to a Fund or its investments or prospective investments, including without limitation all costs incurred in connection with ESG tracking

tools, greenhouse gas assessments and any other assessments, measurements, advice or reports conducted as part of implementing, monitoring and maintaining the Adviser's, its affiliates', or a Fund's ESG policies and programs or otherwise designed to promote or a the Fund's or its investments' or prospective investments' achievement of ESG objectives, including the UN's Sustainable Development Goals; (xxx) software costs accrued in connection with the process of compiling and/or complying with side letter compendia; and (xxxi) any other costs approved by a Fund's advisory committee.

In addition, the Adviser, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to a Fund, including coordination of the Funds' legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor correspondence, investor data management and reporting requests, as well as data collection required for various regulatory reporting with which the Funds are required to comply.

From time to time, the general partner of a Fund creates certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the Governing Documents of the applicable Fund, the SPV, and indirectly, its investors, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV. Expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund.

The Adviser, from time to time, enters into arrangements with third-party advisors and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisors and consultants are paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described herein.

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by the Adviser, a Fund, a portfolio company, co-investors and/or a third-party (each, an "Allocable Party") and if so, how such fees, costs and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party, or fees, costs and expenses may be allocated among multiple Allocable Parties. The Adviser allocates fees, costs and expenses in accordance with a Fund's Governing Documents. To the extent not addressed in the Governing Documents of a Fund, the Adviser will seek to make allocation determinations among Allocable Parties in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include pro rata allocation based on the respective capital commitments of a Fund, pro rata allocation based on the respective investment (or anticipated investment) of an Allocable Party in an investment, relative benefit received by an Allocable Party, or such other equitable method as determined by the Adviser in its sole discretion). The Adviser will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance, and a Fund will bear more or less of a particular expense based on the methodology used.

Additionally, please see Item 6 below regarding "Carried Interest" that the Funds are required, in certain circumstances, to pay.

Although the Adviser does not often utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular

Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to each Fund, upon reaching the level of return required by a Fund's Governing Documents, a portion of the profits of each such Fund will be allocated to the capital account of, and distributed to, its general partner as "carried interest" (the "Carried Interest"). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds, and investors in such Funds, may incur varying levels of Carried Interest.

The payment of Carried Interest at varying rates (including varying effective rates based on the calculation methodology and/or the past performance of a Fund), creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated, at least in part, by (i) limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth Investment Allocation Requirements (as defined below). Please also see Item 11 below regarding allocations for additional information relating to how the Adviser generally addresses conflicts of interest.

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

The Adviser currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds (subject to the discretion and control of the applicable general partner, if applicable) and not individually to investors in a Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally "qualified purchasers" or "knowledgeable employees," each as defined in the 1940 Act (and rules promulgated thereunder), and include, among others, university endowments, foundations, public and private pension funds, sovereign wealth funds, insurance companies and other financial institutions.

The Adviser generally requires minimum commitments of \$10 million for investors in all Funds, but the Adviser has in the past permitted and will again in the future, in its sole discretion, permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Berkshire PE investment strategy is generally to seek to:

- Invest in businesses that, because of their strategic position, have attractive growth prospects;
- Partner with high quality management teams who are meaningful equity holders and who are committed to continuous improvement of the companies they operate;
- Utilize the Adviser's extensive experience, internal capabilities and external resource base to serve effectively as active investors, directors and advisors to portfolio companies; and
- Structure prudently the capitalization of its companies to ensure growth while enhancing equity returns.

The Adviser pursues control and minority investments for the PE Funds typically via one of the following transaction types:

- *Management recapitalizations and leveraged buyouts.* The Adviser assists in organizing buyouts (including turnarounds) and recapitalizations of businesses in which management teams retain significant ownership.
- *Growth capital investments.* The Adviser provides equity to companies that could benefit from late-stage growth capital to support organic growth or acquisition strategies.
- *Investments in publicly traded securities.* The Adviser invests in marketable securities in instances where its analytical, operational and/or strategic skills and insights enable the Adviser to identify an appropriate return opportunity.

In addition, the Adviser's PE Fund investments often share one or more of the following characteristics:

- *Consolidation strategy.* The Adviser supports companies with strong growth potential seeking to gain market share in their respective markets through organic and strategic industry consolidation.
- *Corporate carve-out.* The Adviser invests in divisions or subsidiaries of larger corporations with a view that those businesses will operate more effectively as independent companies.
- *Family / Founder-led Business.* The Adviser has a long history of partnering with families and founders and understanding their objectives for their businesses.
- *International.* The Adviser invests in companies that exhibit opportunities for growth across the globe.
- *Privatization.* The Adviser assists in converting government-owned organizations into private businesses.
- *Take-private.* The Adviser identifies public companies to take private in order to provide management with a more flexible environment to pursue long-term growth objectives.
- *Transformative acquisition/divestiture.* During the Adviser's ownership, certain portfolio companies may pursue transformative acquisitions or divestitures, which materially change the capabilities, size and/or strategic focus of such companies.

The Berkshire DI investment strategy is generally to seek to:

- Invest in the “basic foundation” of the interconnected digital world by targeting investments that provide infrastructure that enables delivery of a range of products and services that are critical components of the evolving digital economy;
- Pursue a downside-protected growth strategy by investing in businesses that generate predictable revenues, which are positioned to benefit from the sector's long-term growth drivers, while retaining risk mitigation characteristics consistent with traditional infrastructure; and
- Focus on three DI sub-sectors: Wireless Access, Data Centers & Cloud, and Network Infrastructure, each of which is experiencing rapid growth, which is expected to continue for decades, and in each of which the underlying infrastructure has demonstrated resilience through multiple economic cycles and technology evolutions.

Berkshire DI will pursue the following investment types and roles:

- *Private Equity.* Typically common or convertible preferred equity.

# Berkshire

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## Partners

- *Typically Control Investor.* Typically seek to attain control positions on the board of directors as well as other governance and information rights.
- *Minority Investor in Select Situations.* Berkshire DI may also pursue minority investments if it believes the investment opportunity is compelling.

In addition, Berkshire DI will seek investment opportunities that are expected to have one or more of the following characteristics:

- *High-Quality Businesses Well Positioned to Succeed.* Berkshire DI will seek to invest in companies with differentiated assets or capabilities and a market or niche leadership position, led by highly capable management teams with the experience and skills to drive strong performance. Berkshire DI intends to focus on opportunities it believes have a compelling risk/reward profile given growth potential and several characteristics that it believes reduce risk.
- *Durable Assets.* Berkshire DI will seek investments in mission critical infrastructure to store, process and transport data.
- *Low Technology Risk.* Berkshire DI will focus on the basic foundation of data networks, those components that are essential even as technology evolves. The types of businesses in which Berkshire DI will seek to invest have already demonstrated their value and importance through multiple generations of technology upgrades (such as the transition from 3G to 4G, or the transition of data workloads to the cloud).
- *Predictable, Recurring Revenue.* Berkshire DI will target investments that are expected to have long-term control of real assets that generate consistent revenue due to multi-year customer contracts and low customer churn due to unique infrastructure attributes and/or high switching cost.
- *Industry Tailwinds.* As modern society continues to transform, use cases, including 5G, IoT and other megatrends, are expected to continue to drive explosive growth in data traffic. Berkshire DI will focus on investments that can benefit from these industry trends.
- *Untapped Value-Creation Potential.* Operating businesses can benefit from Berkshire DI's sector expertise to help drive revenue growth and/or improve the efficiency of operations. In addition to revenue and operating enhancements, Berkshire DI will also consider strategic M&A.

### **Risks**

An investment in a Fund involves a significant degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. Making an investment in a Fund is speculative, and such an investment is not intended as a complete investment program for any investor. In evaluating whether to make an investment in a Fund, prospective investors should consider all information contained in a Fund's offering documents, including the considerations and risk factors set forth therein.

Material risks relating to the investment strategies and methods of analysis described above and to the types of securities typically purchased by or for the Funds, include, but are not limited to, the risks outlined in the following paragraphs.

*Nature of Investments.* While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. A Fund's portfolio companies may be highly leveraged and, therefore, may be sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If a portfolio company cannot generate sufficient cash flow to meet principal or



interest payments on its indebtedness, the Fund may suffer a partial or total loss of capital invested in such portfolio company.

*General Economic, Political or Regulatory Conditions.* The private equity industry generally, and the Funds' investments in particular, are affected by general economic, political or regulatory conditions. Interest rates, general levels of economic activity, the price of securities, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, changes in fiscal policies, tax laws, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances and participation by other investors in the financial markets, among other things, may affect the value and number of investments made by a Fund or considered by a Fund for prospective investments. A Fund's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, each of which could have a material adverse effect on the performance of a Fund's investments. No assurances can be given as to the effect of these economic, political or regulatory conditions on a Fund's investment objectives, or on the success of the Fund.

The political environment in the United States has continued to cause uncertainty regarding future political, legislative or administrative changes that may impact the Adviser, the Funds and their investments, and the range and potential implications of possible outcomes are difficult to predict. Such uncertainty may have an adverse effect on, or cause volatility in, the U.S. or global economies and currency and financial markets in the short or long term, which in turn could have a material adverse effect on the performance of a Fund's investments. In addition, such changes could impact the regulations applicable to the Adviser, the Funds, or their investments. While certain of such changes could have a beneficial impact, other changes may more beneficially impact competitors, or could adversely impact the Adviser, the Funds or their investments.

*Financial Market Fluctuations.* Currently, and during prior recent periods, U.S. and global financial markets and the broad current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of investments held by the Funds. For example, volatile market conditions can lead to significantly diminished availability of credit and an increase in the cost of financing, which can materially hinder the initiation of leveraged transactions. Instability in the securities markets and economic conditions generally also increase the risks inherent in the Funds' investments. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. Many private equity funds, including the Funds, sometimes look to the public securities markets as a potential exit strategy, and there can be no assurance that the Funds will be able to exit from their investments in portfolio companies by listing their securities on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Volatility in the financial sector may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments in an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. Further, the ability of a portfolio company to refinance debt securities may depend on its ability to sell new securities in the debt market or otherwise. Future market conditions, the duration and ultimate effect of current market conditions and whether such conditions may worsen, cannot be predicted.

*Governmental Intervention.* Disruptions in the global financial markets at times have led to governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically, for sometimes prolonged periods, been unclear in scope and application, resulting in confusion and uncertainty which, in

itself, has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are then unwound, there could be further uncertainty and adverse effects on the markets. It is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets during a Fund's term or the effect of such restrictions on a Fund's strategies.

*Valuation of Assets.* There is no actively traded market for most of the securities in which the Funds invest. When estimating fair value, the Adviser will apply a methodology based on its judgment as to what is appropriate in light of the nature, facts and circumstances of the 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 can ultimately be sold. Third-party pricing information is generally unavailable for a majority of a Fund's investments. With respect to a Fund, the exercise of discretion in valuation gives rise to potential conflicts of interest, as the Adviser's determination of the fair value of an investment will affect the Adviser's track record and the amount and timing of Carried Interest to the extent such valuation results in a write-down or write-off, which could incentivize the Adviser to refrain from writing down or writing off investments. As a result, there will be circumstances when the Adviser is incentivized to determine valuations that are higher than the actual fair value of investments. The valuations of the Funds' investments are reviewed annually by the Adviser's independent public auditors in connection with their annual audit of the Funds and subject to review and approval by each Fund's advisory committee. The Adviser has the authority to engage a third party to conduct an appraisal of the portfolio or a specific company within the portfolio.

*Geopolitical Risks and Force Majeure.* An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. The United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. Increased focus and scrutiny of globally operating organizations such as the Funds' portfolio companies may adversely affect the Funds and their investment activities.

Moreover, certain current events and resulting movements (including protests) have caused social unrest in the United States and in other parts of the world. At times, such movements have been accompanied by violence and looting which has seen certain businesses suffer physical damage and economic loss. In addition, such movements have seen certain businesses become subject to adverse publicity and heightened scrutiny as a result of historical action or inaction. To the extent that the Funds invest in portfolio companies that are impacted by such social unrest, physical damage and economic loss or the threat thereof (e.g., in the retail sector), there could be a material adverse impact on the Funds and their investments.

A number of factors, including the supply chain disruptions, developments in the oil market as a result of conflict between Ukraine and Russia, public health measures, widespread job losses and other factors (including second- and third-order effects related to the foregoing) have contributed to a growing sense of volatility and uncertainty in the markets for all assets, including securities and other financial assets, commodities and real estate, among others. While the Funds intend to consider investments that have been impacted by such factors to the extent it believes it can capitalize on perceived mispricing as a result of market disruptions, there can be no guarantee that such strategy will be successful or result in positive returns for investors. In particular, it is likely that a number of the Funds' investments will include assumptions regarding potential social and governmental responses to the current uncertain economic, social and political environment. To the extent any assumption made regarding an investment (whether or not such assumption is made prior to the consummation of such investment) proves inaccurate, returns of such investment are likely to be impacted materially. Such events may also reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, potentially



reducing the accuracy of financial projections. At such times, the Funds' exposure to a number of other risks described elsewhere in this section can increase.

Additionally, the Funds or their portfolio companies may be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred, including, without limitation, fire, flood, tornado, hurricane, typhoon, earthquake, outbreak of an infectious disease, pandemic or any other serious public health concern, war, military conflict, terrorism and labor strikes or other similar events. Some force majeure events may adversely affect the ability of a party, including a Fund, a portfolio company or a counterparty to the Funds or their portfolio companies to perform their obligations until they are able to remedy the force majeure event. In certain circumstances, the Funds or their portfolio companies may be parties to a contract which does not provide a remedy in favor of a Fund or such portfolio company if a force majeure event occurs. In this event, the Funds or such portfolio companies may be required to continue to comply with their obligations (including, but not limited to, payment or performance of their obligations) under a contract even though they may not receive some or all of the benefits to which they are entitled under such contract. Such a circumstance may cause the Funds or such portfolio companies to suffer economic loss, and such loss may be exaggerated if a force majeure event subsists for an extended period of time.

In addition, the cost to a portfolio company or the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events such as war or an outbreak of an infectious disease could have a broader negative impact on the world economy and international business activity generally or in any of the countries in which the Funds have invested. See "Coronavirus Outbreak Risks" below. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, each of which could have a material adverse effect on the performance of a Fund's investments, returns and the ability of a Fund to make and/or dispose of investments. No assurance can be given as to the effect of these events on the value of, or markets for, investments, or a Fund's or a portfolio company's ability to recover therefrom; and, in particular, a climate of uncertainty may reduce the availability of potential investment opportunities, and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections.

*Coronavirus Outbreak and Other Public Health Emergency Risks.* The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. COVID-19 and other public health emergencies have, and are expected to continue to have, ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect the Funds' investments and the industries in which they operate. Furthermore, the Adviser's ability to operate effectively during a public health emergency, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Funds' investment strategies and objectives and the Adviser's business and to satisfy its obligations to the Funds, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 or other pandemic diseases among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Fund's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

*Guarantees and Credit Support for Portfolio Companies.* Subject to certain limitations, the Funds may guarantee the obligations of portfolio companies. As a result, if any such portfolio company defaults on its

obligations, the applicable Fund(s) will be required to satisfy such obligation. In order to do so, the Funds may call capital, recall distributions or liquidate some or all of their investments prematurely at potentially significant discounts to fair value. In addition, the Funds, the general partners or their affiliates may guarantee obligations or provide letters of credit or other credit support to facilitate investments, and there can be no assurance that such guarantees or letters of credit will not have adverse consequences for the Funds. As a result, if the applicable portfolio company defaults on its obligations, the Fund(s) will be required to satisfy such obligations, in which case each such Fund may make a larger investment in such portfolio company than initially expected.

*Bridge Financings.* The Funds have in the past and may in the future lend to portfolio companies on a short-term, unsecured basis or otherwise acquire equity or other securities on an interim basis of portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication (including for coinvestments, including to coinvestors investing through a Berkshire-controlled and/or managed investment vehicle). Any such investment may include securities that the general partner may not have caused a Fund to acquire on a stand-alone basis (including, without limitation, because the risk/return profile or other characteristics of such securities may not be desirable or appropriate for a Fund), and the general partner may seek to reduce a Fund's exposure to such securities through disposition, refinancing, co-investment or another transaction. In these situations, the Fund's strategy may depend, in part, on its ability to sell, refinance or otherwise reduce its exposure to such investments after initially agreeing to consummate them. However, for reasons not always in the Funds' control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. Moreover, there can be no assurance in such instances that the terms of any such transaction will be attractive, including because there may not be sufficient interest in the securities, or limited partners or third parties may not accept all or a portion of the amount offered for coinvestment. If a Fund is unable to complete such an anticipated transaction, its investments will be less diversified than they otherwise may have been, and the Fund may have greater exposure to certain investments, regions and sectors than intended or desired, including to securities that the general partner would not have acquired on a stand-alone basis or to an investment that exceeds the amount that is permitted to be invested in a single investment that does not involve such bridge financings. In addition, to the extent that a Fund is unable to successfully complete a disposition, refinancing, coinvestment or another transaction relating to such bridge loans and interim investments, it may incur broken deal and related costs associated with the pursuit of such transaction.

Any such loan or interim investment made by the Funds involves the risk of loss of the entire amount of such loan or interim investment. Generally, in the case of a Fund reducing an investment involving bridge financings (including through disposition or coinvestment), such transaction will be completed at a price negotiated by the general partner and the purchaser taking into account the then-relevant facts and circumstances, which may include the Fund's cost of such investment (and an allocable portion of costs and expenses) and other market events and forces. There can be no assurance that such transaction price will be equal to or more than the Fund's cost of such investment or that it will necessarily or accurately reflect the then-fair value of such investment, all costs and expenses associated therewith, or any interest or other carrying cost that would typically be associated with a loan. In addition, with respect to the making of any such bridge financings in the form of loans, a Fund may be subject to various laws and regulations applicable to lenders, and the holding of such loans could potentially subject such Fund to various "lender liability" risks. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Fund.

*Coinvestments with Third Parties.* The Funds have in the past and will in the future coinvest with third parties and/or limited partners through jointly owned acquisition vehicles, partnerships, joint ventures or other structures. In such situations, the Funds' ability to control their equity investments will depend upon the nature of the joint investment arrangements with such coinvestors and the Funds' relative ownership stakes in such investments. A Fund may be a minority investor in these circumstances. In addition, such arrangements may restrict the Funds' ability to dispose of such investments for potentially significant

periods of time. Such investments involve risks not present in investments where a third party is not involved. A coinvestor or partner of the Funds may at any time have economic or business interests or goals (including with respect to the timing or price of sale) which are inconsistent with those of the Funds and may be in a position to take action inconsistent with (or block actions which are consistent with) the Funds' investment objectives. The Funds may be liable for certain actions of their coinvestors or partners. Coinvestments may also involve higher costs and expenses than other investments.

***Follow-On Investments.*** Following a Fund's initial investment in a portfolio company, the Fund may be asked to provide additional funds to, or have the opportunity to increase its investment in, such portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient resources to, or be permitted to, make all such follow-on investments. Any decision by a Fund not to make (or its inability to make) a follow-on investment may have a substantial negative impact on the portfolio company in need of such follow-on investment, may result in missed opportunities for the Fund or may result in a dilution of the Fund's investment in such portfolio company (in the event alternative capital is secured by the portfolio company to satisfy such additional funding needs). In addition, certain Fund portfolio investments, particularly those in "platform" phase, may need additional capital to sustain their working capital needs and/or acquisition strategies. The amount of such additional capital needed will depend upon the maturity and objectives of the particular portfolio investments. Each such round of financing (whether from a Fund or other investors) is typically intended to provide a portfolio investment with enough capital to reach the next major milestone. If the capital provided by the relevant Fund is not sufficient, or if the Fund is unable to provide additional capital, a portfolio investment may have to raise further capital at a price unfavorable to existing investors, including that Fund. To the extent a portfolio investment in which a Fund invested receives additional funding in subsequent financings, and such Fund does not participate in such additional financing rounds, the interests of that Fund in such portfolio investment would be diluted. If a Fund makes a follow-on investment, there can be no assurance that such follow-on investment will be successful. Additionally, coinvestors that participated in an initial investment may choose not to participate in a follow-on investment, which may increase a Fund's exposure to such investment.

***Borrowing.*** Subject to certain limitations set forth in the Organizational Documents, the Funds intend, from time to time, to borrow at the Fund-level or at a subsidiary of the Funds on a secured or unsecured basis in connection with the consummation of an investment, for a particular portfolio company or for any other purpose related to the business and operations of the Funds (including for fund expenses). It is expected that this indebtedness, if incurred, will generally be secured primarily by the unpaid commitments of the limited partners or the Funds' other assets. In connection therewith, the Adviser will be authorized, without any further action of the limited partners, to grant a security interest in the right to initiate capital calls and collect the unpaid commitments. In addition, the limited partners may be required to confirm the terms of their commitments, provide financial information and execute other documents as may be required by debt providers to the Funds. Limited partners whose unpaid commitments have been pledged may be called upon to fund their entire unpaid commitments (but not in excess of such amounts) to repay indebtedness, and the failure of other limited partners to honor their commitments may result in a limited partner's payments exceeding its pro rata share of the indebtedness that has been incurred by the Funds. A limited partner may also be required to fund amounts to repay subscription-based credit facility borrowings incurred in connection with an investment even if such limited partner did not participate in the relevant investment in connection with which such borrowings were incurred. In addition, the extent to which the Funds incur borrowings may have certain consequences to the limited partners, including, but not limited to (i) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes, (ii) increased interest expense if interest rate levels were to increase and (iii) restrictions to limited partner transfers imposed by the lenders, (e.g., credit facilities may impose restrictions on the Adviser's ability to consent to the transfer of a limited partner's interest in the Funds). The Adviser will have significant discretion in negotiating the terms of any credit facility and may agree to terms that are not the most favorable to one or all limited partners.

In the event the Funds incur indebtedness, generally the dollar amount required to satisfy the internal rate of return accruing in respect of limited partners (i.e., prior to the Adviser receiving carried interest) will be less than otherwise would have been the case in the absence of such indebtedness. As a result, the Adviser may be entitled (i) to receive carried interest earlier than it otherwise would have and (ii) in certain circumstances, to receive carried interest in amounts greater than it otherwise would have, in each case, had the Funds not incurred such indebtedness and, instead, had required the limited partners to make additional capital contributions. Tax-exempt prospective investors should note that the use of leverage by the Funds or its subsidiaries may create UBTI.

The Adviser expects to fund certain capital needs of the Funds with the proceeds of borrowings in lieu of drawing down commitments, which generally will result in the gross and net internal rates of return of the Funds being higher than they otherwise would have been without Fund-level borrowing, particularly during the early years of the Funds' lives. Therefore, the Adviser (or an affiliate thereof) may be incentivized to fund the acquisition of investments and ongoing capital needs of the Funds with the use of indebtedness in lieu of drawing down unpaid commitments.

In addition, Fund-level borrowing will result in incremental Fund expenses that will be borne by the limited partners. These expenses potentially include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of the credit facility, an upfront fee for establishing a credit facility and other one-time and recurring fees and/or expenses. Because the credit facility's interest rate is based in part on the creditworthiness of all the underlying limited partners and the terms of the Organizational Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Funds' cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Funds' reported net returns.

**Counterparty and Fraud Risk.** The Funds will be subject to the risk of the inability of counterparties and custodians to perform with respect to transactions or to safeguard assets, whether due to insolvency, bankruptcy or other causes, which could subject the Funds to substantial losses. Of paramount concern when purchasing securities and other assets is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of investments. The Funds rely upon the accuracy and completeness of representations made by counterparties but cannot guarantee that such representations are accurate or complete. Under certain circumstances, distributions to the Funds may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances.

**Possibility of Fraud and Other Misconduct of Employees and Service Providers.** Misconduct by employees of the Adviser, service providers to the Adviser or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. The Adviser has controls and procedures through which it seeks to minimize the occurrence of such misconduct and procures insurance to mitigate potential losses from such conduct. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct or that losses will be minimized.

**Illiquid and Long-Term Investments.** Although certain investments of a Fund may generate current income, the return of capital and the realization of gains, if any, from the Fund's investments will most likely occur only upon the partial or complete disposition of such investments. While a Fund investment may be sold at

any time, it is generally expected that the disposition of most of a Fund's investments will not occur for a number of years after such investments are made. Usually, a Fund will make investments in securities for which there is not a public market at the time of their acquisition. A Fund generally will not be able to sell such securities publicly unless their sale is registered under applicable securities laws or will be able to sell the securities only under Rule 144 or other rules under the Securities Act, which permit only limited sales under specified conditions. In addition, in some cases, a Fund may be prohibited or limited by contract from selling certain securities for a period of time and, as a result, may not be able to dispose of a portfolio investment at a time or price it might otherwise desire to do so.

In connection with the disposition of an investment, a Fund may agree to purchase price adjustments and may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. A Fund may be obligated to fund additional proceeds pursuant to such purchase price adjustments and also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These transactions may ultimately yield funding obligations of the Fund that must be satisfied by the investors in a Fund to the extent of their unfunded commitments or prior distributions received.

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to identify and complete investments that satisfy its investment objectives, or realize the value of such investments, or that it will be able to fully invest its commitments. Although the Adviser has been successful in identifying suitable investments in the past, each Fund will be competing for investment opportunities against various other entities having similar investment objectives, including strategic or industry participants, sovereign wealth funds, institutional investors, pension funds, financial investors, hedge funds, private equity or other investment firms or corporations (or consortia thereof), or other pools of capital. Furthermore, over the past several years, an ever-increasing number of private equity funds have been or are being formed (and many existing funds have grown in size). The Adviser expects that competition for appropriate investment opportunities may increase, and therefore a Fund may have difficulty in making certain investments or, alternatively, a Fund may be required to make investments on economic terms less favorable than anticipated. If a Fund fails to make new investments or makes investments on less favorable terms, the Fund's financial performance and results of operations could be materially and adversely affected. A Fund may incur significant expenses identifying, investigating and attempting to make potential investments that are ultimately not consummated.

*Past Performance not Indicative of Future Results.* The past performance of any investment vehicles or investments managed by the Adviser or its affiliates cannot be construed as any indication of a Fund's potential future performance. The nature of, and risk associated with, a Fund may differ substantially from the Adviser's historical investments and strategies. In view of current geopolitical and economic conditions, it is possible that significant disruptions in, or historically unprecedented effects on, the financial markets and/or the businesses in which a Fund invests may occur, which could diminish any relevance that the Adviser's historical performance data has to the future performance of a Fund. Therefore, there can be no assurance that a Fund will avoid losses in the future or perform as well as the past investments of a Fund managed by the Adviser.

*Third-Party Advice.* The Adviser, the Funds and their portfolio companies utilize the services of attorneys, accountants and other advisors and consultants in their operations. The Adviser and the Funds generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. Nevertheless, there exists a risk that such advisors may provide incorrect advice from time to time or make errors when providing services. Neither the Adviser nor the Funds will have any liability to investors for any reliance upon such advice or services. Additionally, subject to certain limitations, the Funds may be required to exculpate and indemnify such service providers for any losses incurred. Limited partners in a Fund generally have no direct rights against such advisors. Where wrongdoing is alleged to have been committed against a Fund, such wrongdoing would generally only be actionable by the Fund's general



partner. In the absence of any direct contractual relationship between a Fund's limited partners and its advisors, there are only very limited circumstances in which a limited partner may bring a direct claim against any such advisor, including the Adviser.

*Concentration of Investments; Potential Lack of Diversification.* Each Fund will participate in a limited number of investments and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the poor performance of a single investment. Furthermore, a Fund will typically invest in particular industries, geographic regions, investment sectors or stages of investment, and the returns of a Fund may be substantially impacted by adverse developments in a particular portfolio company, industry, geographic region, investment sector or stage of investment in which the Fund has greater concentration.

*Investments in Less Established Businesses.* The Funds have in the past and may in the future invest a portion of a Fund's uncalled commitments in less established businesses. Such investments often involve greater risks than those that are generally associated with investments in more established businesses. To the extent there is any public market for the interests held by a Fund in any less established businesses, such interests may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established businesses tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure than established businesses. Investments in smaller or less established businesses could be more susceptible to irregular accounting or other fraudulent practices. Less established businesses also typically have shorter operating histories on which to judge future performance and may have negative cash flow. As such, an investment in a less established business is highly speculative and may result in the loss of a Fund's entire investment in such business. Additionally, smaller or less established businesses can carry an increased risk of litigation.

*Investments in Later-Stage Businesses.* The Funds will also invest in later-stage businesses, which involve different types of risks than less established or growth-stage businesses. These businesses typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a new business or develop new products and markets; these activities likely involve a significant amount of change for such businesses and could cause significant issues or disruptions in sales, manufacturing and general management of such businesses.

*Projections.* A Fund relies upon projections developed by the Adviser or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections are inherently uncertain and beyond the control of the Adviser and such portfolio company. In all cases, projections are only estimates of future results that are based upon information received by the investment 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. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash flow. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Expedited Transactions.* From time to time, the Adviser is required to undertake investment analyses and decisions on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time an investment decision is made may be limited, and the Adviser may not have access to detailed information regarding the investment. Therefore, no assurance can be made that the Adviser will have knowledge of all facts and circumstances that may adversely affect an investment. In addition, the Adviser may rely upon independent consultants or advisors in connection with the evaluation of proposed investments. There can be no assurance that these consultants or advisors will accurately evaluate such investments. Further, a Fund may conduct its due diligence activities in a very brief period and may assume the risks of obtaining certain consents or waivers under contractual obligations. While the Adviser expects to negotiate purchase price adjustments, termination rights and other

protections with respect to such risks, such rights may not be available or, if available, the Adviser may elect not to exercise them.

***Adverse Publicity.*** Each of the Funds and the Adviser face the risk of negative publicity, including in matters such as labor disputes and adverse environmental attention, as well as matters arising out of municipal and federal government scrutiny both in the United States and globally. Additionally, portfolio company employees and Adviser's employees could pursue claims against the Adviser or the Funds, which may draw negative publicity, as well as negative news media attention. Such adverse publicity may have a material effect on the Adviser's ability to source investments or otherwise meet the Funds' investment objectives. Moreover, recently, the private equity industry has been subject to negative publicity and negative commentary globally, including from both the media and politicians. While it is yet to be seen whether such adverse publicity and commentary will adversely impact the private equity industry, there is a risk that during the Funds' terms such negative publicity may lead to increased regulation or scrutiny of the industry or otherwise have an adverse effect on the Funds' ability to meet their investment objectives.

***Investments Longer than Term.*** A Fund may make investments that, for various reasons, may not be capable of an advantageous disposition prior to the date the Fund is required to be dissolved, either by expiration of the Fund's term or otherwise. A Fund may have to sell, distribute in-kind or otherwise dispose of investments at a disadvantageous time as a result of dissolution, or retain or hold such investment during dissolution for an extended period of time, which will result in fees being payable during such period. Further, investments distributed in-kind may be illiquid and there can be no assurance that any limited partners will be able to dispose of them at the value attributed to such investments under the Organizational Documents of the Funds for purposes of such distributions in-kind.

***Equity Securities.*** The Funds invest, and intend to continue investing, in common and preferred stock and other equity securities, including public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks, such as limited product lines, contracts, markets or financial resources. In addition, actual and perceived accounting irregularities can cause dramatic price declines in equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. The Funds may experience a substantial or complete loss on individual equity securities. Generally, there will be no collateral to protect a Fund's investments once made.

***Debt Investments.*** The Funds are permitted to invest, and are contemplating investments in, debt securities, including, without limitation, higher yielding (and, therefore, higher risk) debt securities. Such debt may be secured or unsecured and may be structurally or contractually subordinated to substantial amounts of senior indebtedness. In the event of bankruptcy or liquidation of an issuer of such debt securities, there may not be sufficient proceeds to repay the holders of such debt securities following repayment to the holders of senior indebtedness. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness, and there is no minimum credit rating for a Fund's debt investments. In certain cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a material adverse impact on the value of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities. In addition, debt investments are subject to credit and interest rate risks.

***Control Position.*** The Adviser will generally seek investment opportunities that allow a Fund to have meaningful influence on the management, operations and strategic direction of the portfolio companies in which such Fund invests. The exercise of control and/or meaningful influence over a portfolio company



imposes additional risks of potential liability for regulatory non-compliance, environmental damage, product defects, failure to supervise management and other types of potential liability in which the limited liability of such portfolio company may be ignored. The exercise of control and/or meaningful influence over a portfolio company could expose the assets of a Fund to claims by such portfolio company, its regulators, its security holders and/or its creditors.

***Non-Controlling Investments.*** The Funds hold, and expect in the future to hold, non-controlling interests in certain portfolio companies, including in the form of marketable securities, debt securities or other debt- or equity-like instruments and, therefore, the Funds will have a limited ability to protect their positions in such investments. Other investors in such portfolio companies may have economic or business interests or goals that are inconsistent with those of a Fund, and such Fund may not be in a position to protect the value of its investments in such portfolio companies, which could result in restrictions on the Fund's investments being sold or such investments incurring substantial losses. In addition, if a Fund takes a non-controlling interest in publicly-traded securities as a "toehold" investment, such publicly-traded securities may fluctuate in value over the limited duration of a Fund's investment in such securities, which could potentially reduce returns to investors. Therefore, there can be no assurance that a Fund will be able to realize the value of any such investments. In addition, although a Fund will generally seek board representation in connection with its non-controlling interests, there is no assurance that such representation, if sought, would be obtained. Moreover, there is no assurance that a Fund will be successful in obtaining sufficient governance or liquidity rights to protect its interests in respect of these investments.

***Regulated Industries.*** If the Funds make investments in industries highly regulated by governmental agencies, each Fund will likely be subject to certain restrictions related to such investments. As a result, the Adviser may agree to restrict or limit transactions or exercise of rights for the Funds, limit the amount of voting securities purchased by the Funds or restrict the type of governance rights they acquire or exercise in connection with such investments. In addition, regulatory changes could occur during the term of a Fund that may materially and adversely affect the Fund's investment and limit the Fund's ability to exercise its rights with respect to such investment.

***Environmental Hazards.*** Under environmental laws enacted by U.S. Federal, state and local governments, as well as non-U.S. governments, owners and lessees of property may be liable for the clean-up and removal of hazardous substances even where the present owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. If any property acquired or leased by a portfolio company was found to have an environmental problem, the portfolio company could incur substantial costs, and a Fund could suffer a complete loss of its investment in such portfolio company.

***Environmental, Social and Governance Matters.*** While environmental, social and governance ("ESG") matters (also referred to as "responsible investing") are only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that create positive ESG impacts while enhancing long-term value and achieving financial returns. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser's skill in properly identifying and analyzing material ESG and other factors and their impact-related values, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors, carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account. Applying ESG investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. ESG-related practices

differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

***Sustainability Considerations.*** The European Commission adopted its Action Plan on Financing Sustainable Growth in May 2018, targeting all financial market participants. It aims to introduce measures to clarify asset managers' duties in integrating ESG factors and risks into investment, as well as to clarify and standardize transparency duties and ESG reporting requirements.

There are currently a series of initiatives at European Union ("EU") level that are at varying stages of progress to implement the EU's Action plan on Financing Sustainable Growth. Regulation (EU) 2019/2088 on Sustainability-related disclosures in the financial services sector (the "SFDR") was published on December 9, 2019 and entered into force on December 29, 2019. The SFDR has a staggered application, with an initial compliance deadline of March 10, 2021.

The practical implementation of the SFDR requires Regulatory Technical Standards ("RTS") to be put in place by the Joint Committee of the European Supervisory Authorities (which includes the European Securities and Markets Authority). As of March 23, 2022, the RTS have not yet been formally adopted. Compliance with the SFDR, the RTS and other ESG related rules is expected to result in increased legal, compliance, restrictions, reporting and other associated costs and expenses which will be borne by the Funds. Under such requirements the Funds may be required to classify itself against certain criteria, some of which can be open to subjective interpretation. The Adviser's view on the appropriate classification may develop over time, including in response to statutory or regulatory guidance or changes in industry approach to classification. A change to the relevant classification may require further actions to be taken, for example further disclosures may be required or new processes may be required to be set up to capture data about the Fund or its investments, which may lead to additional costs.

***Climate Change.*** The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Funds' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Funds may be vulnerable to the following: risks of property damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

***Non-U.S. Investments.*** A Fund has in the past and may in the future invest globally, including in portfolio companies domiciled in non-U.S. jurisdictions and emerging markets, or in U.S.-based businesses that have substantial non-U.S. operations. Non-U.S. securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which a Fund's non-U.S. investments may be denominated, and costs associated with conversion of investment principal and

income from one currency into another, (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of non-U.S. securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) the potential for rapid fluctuations in inflation rates, (v) certain economic and political risks, including possible regulations and restrictions on foreign investment and repatriation of capital and the risks of economic, political or social instability and the possibility of expropriation or confiscatory taxation, (vi) non-U.S. governmental approvals and compliance with non-U.S. laws and regulations, (vii) the possible imposition of foreign taxes on income and gains recognized with respect to such securities, (viii) rudimentary anti-fraud and anti-insider trading regulation and (ix) corporate laws regarding fiduciary duties and the protection of investors that are less developed than those of the United States. A Fund's historical returns on its U.S. investments are not indicative of the results it will achieve on future investments and, in particular, those located or substantially operating in other countries. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of such portfolio company without the consent of such portfolio company's shareholders. Anti-dilution protection also may be very limited. The legal systems in certain of these countries may offer no effective means for a Fund to seek to enforce its rights or otherwise seek legal redress or to seek to enforce non-U.S. legal judgments.

*Currency Exchange Risk and Possible Hedging Activities.* Capital contributions to each Fund are payable in U.S. dollars, and each Fund's assets will be valued in U.S. dollars. Certain of the Funds' investments may be denominated in currencies other than the U.S. dollar, and hence the value of such investments would depend in part on the relative strength of the U.S. dollar. A Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar, as well as the transaction costs associated with converting foreign currencies into U.S. dollars. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the levels of gains and losses realized on the sale of such investments, and the possible use of hedging strategies may limit the ability of a Fund to profit from the increase in the value of an investment above a certain price. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign currency exchange markets. Exchange rates also are affected by the international balance of payments and other economic and financial conditions, governmental intervention, speculation and other factors. The Funds may, but are not obligated to, engage in any currency hedging operations in order to minimize the risk of a decrease in the value of one or more investments. The use of hedging strategies is a highly specialized activity, and there can be no assurance as to the success of any hedging operations (and the Adviser in the past has not typically engaged in currency hedging operations at the fund-level) that the Funds may implement or that their use will achieve the intended results. While such hedging transactions may reduce certain risks, such transactions themselves entail certain other risks, including (but not limited to) counterparty credit risk and market liquidity risk. In addition, if judgments made with respect to future stock prices, exchange rates, market conditions or trends are not correct, these hedging strategies could result in losses to a Fund. Furthermore, the creditworthiness of a counterparty to any hedging transaction into which the Funds or a portfolio company enters may change over time, and while such counterparty may have been creditworthy at the time such transaction was entered into, there is no guarantee such counterparty will remain creditworthy throughout the duration of the hedging transaction or that such counterparty will be able to perform its obligations under, or pay amounts due on, such hedging transactions. This risk is also subject to, and heightened by, commodity price fluctuations.

Moreover, the U.S. Commodity Futures Trading Commission (the "CFTC") and other federal and global financial regulators have adopted margin requirements for uncleared derivatives, which may present significant challenges and additional risks for the Funds in the event they engage in such transactions, including increased costs, reduced access to dealer counterparties, potential decreases in market liquidity and other unforeseen consequences. These requirements also may result in the Funds being unable to adequately hedge their investments, which may have an adverse impact on the performance of the Funds.

It is likely that the Funds will leave unhedged certain currency exchange rates, interest rates and public security prices, and in any such case, the Funds will be exposed to risk that such fluctuation of prices thereof will decline during the term of the investments such that the results of such investments will be worse in U.S.-dollar terms than the results based upon the local currency.

***LIBOR Replacement Risk.*** Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate ("LIBOR"). In 2017, the UK Financial Conduct Authority ("FCA") announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

***Cybersecurity Risk.*** The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect a Fund and its investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to a Fund and its investors.

Cyber incidents refer to both intentional attacks and unintentional events including: processing errors, human errors, technical errors including computer glitches and system malfunctions, inadequate or failed internal or external processes, market-wide technical-related disruptions, unauthorized access to digital systems (through "hacking" or malicious software coding), computer viruses, and cyber-attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality (including denial of service attacks). Cybersecurity incidents, cyberattacks and other malicious internet-based activity have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency and magnitude in the future. As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of Fund investors. Similarly, affiliates and service providers of the Adviser, and service providers of the Funds, especially any administrators, may process, store and transmit such information. For example, unauthorized third parties could attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Funds' service providers and counterparties, as well as the data stored by these systems. Third parties could also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems or networks change frequently, may be difficult to detect for long periods of time and generally are not recognized until launched against a target. Therefore, companies as

well as their third-party partners (including vendors and portfolio investments) may be unable to anticipate these techniques, react in a timely manner or implement adequate preventive measures. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. There have been reports of alleged foreign government-sponsored hacking attempts on American corporate intellectual property, and the Adviser and the Funds' portfolio investments may be at risk of cyberattacks. Any of these such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures or financial loss. In addition, the Adviser may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage or litigation, regulatory actions or other legal risks. While the Adviser believes that the Funds' critical service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cybersecurity plans and systems put in place by a Fund's service providers or any other third parties whose operations may affect the Funds.

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

***Tax Reform Risks.*** On December 22, 2017, P.L. 115-97 (the "Tax Act"), originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, gains in respect of a general partner's right to Carried Interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to Fund investors is one year. This holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of "carried interest" in ways that may be adverse to partners in the general partner. A general partner and the Adviser may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

***Reliance on Managing Directors.*** The success of a Fund depends in substantial part upon the skill and expertise of the Managing Directors of the Adviser and others individually and collectively, providing investment advice with respect to a Fund. There can be no assurance that these key investment professionals will continue to be associated with the Adviser throughout the life of a Fund. The loss of key personnel could have a material adverse effect on a Fund's ability to realize its investment objectives. Competition in the financial services industry for qualified investment professionals and other personnel is intense, and there is no guarantee that the talents of the Adviser's departing investment professionals could be replaced. The success of a Fund depends on the Adviser's ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals



and other personnel. Such compensation arrangements may provide that an investment professional or other person, in certain circumstances after the individual is no longer employed or retained by the Adviser or a portfolio company, be granted a continuing interest in respect of particular investments. In addition, the Managing Directors of the general partner for one Fund are generally also the Managing Directors of the general partners of each other Fund and the Adviser. They will have demands made on their time for the investment, monitoring, exit strategy and other functions of all Funds, Stockbridge and the Adviser.

*Operational Risk.* The Funds are subject to operational risk, including the possibility that errors may be made by the Adviser, the Funds' service providers or any of their respective affiliates in certain transactions, calculations or valuations on behalf of, or otherwise relating to, the Funds. Investors may not be notified of the occurrence of an error or the resolution of any error. Subject to limited exceptions, the Adviser, the Funds' service providers and their respective affiliates will not be held accountable for such errors, and the Funds may bear losses resulting from such errors.

*Portfolio Company Management.* Often portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although the Adviser expects to monitor portfolio company management, management of each portfolio company will have day-to-day responsibility with respect to the business of each such portfolio company. There can be no assurance that the existing management team of a portfolio company, or any new team, will be able to successfully operate such portfolio company. A portfolio company's success can depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would significantly adversely affect the portfolio company's performance. Additionally, portfolio companies need to attract, retain and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that a portfolio company will be able to attract, develop, integrate and retain suitable members of its management team, and as a result, the Funds may be adversely affected thereby. Additionally, the Adviser may rely on the management team of a portfolio company to comply with laws and regulations as they relate to such portfolio company. There can be no guarantee that such management team will do so. Further, the Adviser will generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for such businesses. Projected operating results will normally be based primarily on the judgment of the management team of the portfolio investment.

*Board Participation.* A Fund will typically be represented by the Adviser's investment professionals on, or as observers to, the boards of directors of certain of its portfolio companies. Although such positions in certain circumstances may be important to such Fund's investment strategy and could enhance the Adviser's ability to manage the investments, they may also have the effect of impairing the Adviser's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Adviser and a Fund to claims to which they would not otherwise be subject to as an investor, including claims of breach of fiduciary duties, violations of securities laws and other director-related claims. Not all portfolio investments may obtain insurance with respect to liabilities, and the insurance that portfolio investments 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. In general, the Adviser and its respective partners, members, agents, managers and shareholders, Advisory Directors, other Portfolio Advisors, current and former Managing Directors and the members of a Fund's advisory committee and the investors represented by such members will be entitled to indemnification by the Funds for such claims, subject to certain conditions.

*Litigation.* Litigation can and does occur in the ordinary course of the management of investments. A Fund, the Adviser and/or their respective partners, managers, members, agents, employees and affiliates, Advisory Directors, other Portfolio Advisors and the members of the advisory committees may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where a Fund exercises control or significant influence over a portfolio company's direction, including as a result of board

participation (see “*Board Participation*” above). Such litigation can arise as a result of a portfolio company’s default of obligations, bankruptcy or other reasons. In certain cases, portfolio companies, their constituents or third parties may bring claims and/or counterclaims against a Fund, the Adviser and/or each of their respective affiliates, partners, members, agents, managers and shareholders, Advisory Directors, other Portfolio Advisors, current and former Managing Directors and the members of a Fund’s advisory committee and the investors represented by such members alleging violations of securities laws and corporate, contractual and other typical claims and counterclaims seeking significant damages. To the extent that (i) a Fund has not been able to protect itself through insurance, indemnification or other rights against a portfolio company, (ii) a Fund is not entitled to such protections, or (iii) the portfolio company is not solvent, the expense of defending against such claims and paying any amounts pursuant to settlements or judgments would be borne by such Fund pursuant to its indemnification obligations. The Adviser and its respective affiliates, partners, members, agents, managers and shareholders, Advisory Directors, other Portfolio Advisors, current and former Managing Directors and the members of a Fund’s advisory committee and the investors represented by such members will be entitled to indemnification by the Funds for such claims, subject to certain conditions. The outcome of any proceedings involving the Funds or their investments may materially adversely affect the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Adviser’s (and its key personnel’s) time and attention, and that time and the devotion of resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Economic Sanctions Laws.* Economic and trade sanctions laws in the United States and other jurisdictions, including the EU and the UK, may prohibit the Adviser, its employees and the Funds from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC.

These types of sanctions may significantly restrict a Fund’s investment activities in certain countries and, in particular, certain emerging market countries. At the same time, the Adviser may be obligated to comply with certain anti-boycott laws and regulations, which prevent the Adviser and the Funds from engaging in certain discriminatory practices that may be allowed or required in certain jurisdictions. The Adviser’s failure to discriminate in this manner could make it more difficult for a Fund to pursue certain investments and engage in certain business activities.

In some countries, there is a greater acceptance than in the United States and the UK of government involvement in commercial activities, and of corruption. The Adviser, its employees and the Funds are committed to complying with the U.S. Foreign Corrupt Practices Act of 1977, as amended from time to time (the “FCPA”), the U.K. Bribery Act of 2010 (the “UK Bribery Act”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Funds and their investments may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for investments to obtain or retain business.



In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the UK, with enactment of the UK Bribery Act, expanded the reach of its anti-bribery laws significantly. While the Adviser has developed and implemented policies and procedures designed to ensure strict compliance by the Adviser, its personnel and the Funds with the FCPA and the UK Bribery Act and the sanctions regimes that apply to the Adviser, its personnel and its Funds, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of the Adviser's policies and procedures, affiliates of the companies in which the Funds invest may engage in activities that could result in the violation of the FCPA, the UK Bribery Act or other applicable law. Any determination that the Adviser, its personnel, and the Funds have violated the FCPA, the UK Bribery Act or other applicable anti-corruption or anti-bribery laws or sanctions could subject the Adviser, its personnel, and the Funds to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation, disclosure obligations and a general loss of investor confidence, any one of which could adversely affect the Adviser's or a Fund's business prospects and/or financial position, as well as the Adviser's ability to conduct its or a Fund's operations or the ability to achieve a Fund's investment objectives.

*Placement Agents.* The Adviser has in the past and will in the future utilize placement agents. Such placement agents do not act as investment advisers, municipal advisors or fiduciaries to potential purchasers in connection with the interests in a Fund. A placement agent does not advise any investor regarding whether a Fund is more appropriate for an investor's investment needs than other similar funds that may be available. Potential investors must make their own investment decisions. In making those decisions, potential investors should be aware that the placement agents will receive a placement fee from a Fund (as an offset against the Management Fee). Certain placement expenses may be borne by a Fund and, if so borne, will not be applied to reduce payments of the Management Fee. For the avoidance of doubt, fees paid to locally licensed intermediaries or distributors that a Fund or an affiliate thereof is required to engage in order to offer the interests in a Fund in particular jurisdictions shall not be deemed to be placement fees, and therefore, any such fees will not offset the Management Fee otherwise payable. Limited partners should consult with their own internal and external advisors before taking action with respect to any services, material or information provided to them by the placement agents. The placement agents may also seek to do business with and earn fees or commissions from affiliates of the Adviser or a Fund and its investments, as well as with other third party fund sponsors that may have similar or different investment objectives as those of a Fund.

Examples of such business may include, without limitation: provision of financing or investment banking services; lending or arranging credit; provision of prime brokerage; and placement services. Accordingly, potential investors should recognize that the placement agents may be influenced by their respective interests in such current or future fees and commissions, including differentials in the placement fees that are offered by other third-party fund sponsors for which the placement agent acts as placement agent. Potential investors should also be aware that certain affiliates or employees of the placement agent might invest in a Fund on their own behalf and/or on behalf of their clients. Potential investors should consider these potential conflicts in making their investment decisions.

*Investor Legal, Regulatory and Policy Compliance.* Many limited partners, including U.S. states, their subdivisions and associated pension plans, have adopted stringent investment policies or are required to comply with local laws and regulations, including so-called "pay-to-play" laws, rules, regulations or policies (which, for example, restrict or require disclosure of payments to, and/or certain contacts with, certain politicians or officials associated with public entities). Such limited partners may also negotiate for side letter provisions that may be more expansive in their requirements than such laws, rules, regulations or policies. In certain cases, violations of these laws, rules, regulations, policies or Side Letter provisions, whether as a result of the conduct of the Adviser, or because of an action taken by a portfolio company or a limited partner or their personnel, could have an adverse effect on the Funds by, for example, providing the basis for such limited partner to cease funding its obligations to the Funds or to withdraw from the Funds.

*Financial Markets and Regulatory Change.* The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade applicable to the Adviser's or a Fund's activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of a Fund. The Funds, the Adviser and their respective affiliates may be or may become subject to unduly burdensome and restrictive regulation. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act") significantly increased regulation of U.S. and non-U.S. private fund advisers and contains the framework for sweeping reforms in other market areas (e.g., enhanced regulation of swaps). Similar regulatory reforms to address the financial crisis have been implemented in foreign countries. New regulations could adversely affect the way the Adviser or a Fund conducts their operations and profitability of their investment activities and will result in increased regulatory compliance expenses borne by the Funds. The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. In addition, adverse regulatory changes could negatively affect the Adviser's ability to implement its business plans and achieve capital appreciation and could have an adverse impact on the value of the portfolio investments.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry and, more generally, there is an increased focus on tax avoidance strategies employed by businesses. 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 implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. Such scrutiny of private equity firms and their investments by various regulators and market commentators could complicate or prevent a Fund's efforts to structure, consummate and/or exit investments. In particular, a Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of a Fund's business, including to establish greater substance in certain jurisdictions in which such Fund invests or proposes to invest, and a Fund may also become directly or indirectly subject to additional tax liabilities (for example, through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions.

In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the governing bodies of both U.S. and non-U.S. jurisdictions (including the EU and the UK). It is impossible to predict what, if any, changes may be instituted with respect to the regulations applicable to the Funds, the Adviser and their respective affiliates, the markets in which they invest, the limited partners or the counterparties with which they do business, or what effect such legislation or regulations might have. There can be no assurance that the Funds, the Adviser or their respective affiliates will be able, for financial reasons or otherwise, to comply with future laws and regulations, and any regulations that restrict the ability of the Funds to implement their investment strategy could have a material adverse impact on the Funds and their limited partners. To the extent that a Fund and/or its portfolio investments are or may become subject to regulation by various agencies in the United States or other countries, the costs of compliance will be borne, directly and indirectly, by such Fund. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

As a registered investment adviser under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), the Adviser is required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws (including the obligation of the Adviser to make regulatory filings with respect to the Funds and its activities under the Advisers Act (including Form PF and Form ADV)). In light of the heightened regulatory environment in which the Adviser operates and the ever increasing regulations applicable to private investment funds and their investment advisers, it has become increasingly expensive and time consuming for the Adviser to comply with such regulatory

reporting and compliance-related obligations. Any further increases in the regulations applicable to private investment funds generally or to the Funds and/or the Adviser in particular may result in increased expenses associated with a Fund's activities and additional resources of the Adviser being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for investors in the Funds or have an adverse effect on the ability of the Funds to effectively achieve their investment objectives. The Biden administration and the current leadership of the SEC have signalled that they intend to seek to enact changes to numerous areas of law and regulations currently in effect. In particular, the SEC has signalled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted as proposed, would impose significant changes on private fund advisers and their management of private funds (including with respect to fund audits, adviser-led secondary transactions, fee and expense allocation and reporting, borrowings, indemnification, side letters, cybersecurity risk management and annual compliance reviews), and is expected to propose additional changes in the future. Any such changes, whether enacted under current or future leadership, could materially impact the Funds and/or their investments and/or the Adviser.

*Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the "AIFMD"), as implemented in each member state of the European Economic Area ("EEA") and as implemented and retained by the UK following its departure from the EU, regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors in the EEA and the UK, respectively.

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

*CFIUS and National Security Investment Clearance.* Certain investments by the Funds involving the acquisition of a U.S. business or assets with a nexus to U.S. interstate commerce may be subject to review by the Committee on Foreign Investment in the United States ("CFIUS") depending on the beneficial ownership and control of interests in such Funds. Significant CFIUS reform legislation and regulations, which became effective on February 13, 2020, among other things, expanded the scope of CFIUS' jurisdiction to cover more types of transactions and empowered CFIUS to scrutinize more closely investments in U.S. assets, including investments involving foreign limited partners or co-investors that may be deemed "non-passive." Additionally, other countries outside of the United States are increasingly taking action to strengthen their national security review regimes, and as a result, certain investments in any foreign countries may likewise be subject to similar foreign investment clearance ("FIC") regimes if the investments are perceived to implicate national security policy priorities.

Certain of the limited partners are expected to be non-U.S. investors and, in the aggregate, may comprise a substantial portion of a Fund's aggregate commitments, which increases both the risk that investments may be subject to review by CFIUS and the risk that limitations or restrictions will be imposed by CFIUS and/or other FIC regulators on such Fund's investments. While a Fund's general partner may take steps (including, but not limited to, placing limitations on limited partners' governance rights) to help ensure that Fund investments are not within the jurisdiction of CFIUS and/or other FIC regulators or to improve such

Fund's regulatory profile to help obtain approval of CFIUS and/or other FIC regulators, there can be no assurance that any restrictions implemented on any such limited partner or any such group of limited partners will allow such Fund to maintain, or proceed with, any investment, that such Fund's investments will be exempt from CFIUS and/or other FIC requirements, or that CFIUS and/or another FIC regulator will not seek to ask questions about a transaction or will approve a particular transaction.

Any review and approval of a Fund investment by CFIUS and/or another FIC regulator may have outsized impacts on transaction certainty, timing, feasibility and cost, among other things. Moreover, in the event that CFIUS or another FIC regulator reviews one or more of a Fund's investments, there can be no assurances that such Fund will be able to maintain, or proceed with, such investments on terms acceptable to that Fund. CFIUS or another FIC regulator may seek to impose limitations, conditions or restrictions on, or prohibit, one or more of a Fund's investments. Such limitations, conditions or restrictions may prevent that Fund from maintaining or pursuing investments or adversely affect the performance of Fund investments, and thus that Fund's performance as a whole. Failure to submit required filings may result in significant financial penalties for each transaction party, as well as reputational damage and potential legal restrictions on future investments. In addition, CFIUS is actively pursuing transactions that were not notified to it and may ask questions regarding, or impose restrictions or mitigation on, transactions post-closing.

Additionally, the Funds may invest in companies that are, or may become, subject to CFIUS requirements based on pre-existing foreign ownership and control; in such cases, CFIUS requirements may adversely impact a portfolio company's ability to obtain or retain business or otherwise make it more difficult for a Fund to realize a profit from an investment. Moreover, CFIUS or other FIC regulatory considerations, including changes to the implementing laws and regulations and agency practice, may limit or restrict the universe of suitable prospective acquirers for certain investments that a Fund may exit and may make it more difficult for a Fund to realize value from such investments.

*Unfunded Pension Liabilities of Portfolio Companies.* In at least one circuit, a court found that, in certain circumstances, an investment fund could be treated as a "trade or business" for purposes of determining pension liability under ERISA. Therefore, where an investment fund owns 80% or more (or possibly, under certain circumstances, less than 80%) of a portfolio investment, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio investment to the extent the portfolio investment is unable to satisfy such liabilities. The Funds may, from time to time, invest in portfolio investments that have unfunded pension fund liabilities, including structuring the investments in a manner where a Fund may own an 80% or greater interest in such a portfolio investment. If a Fund (or other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of that Fund and the companies in which it invests. This discussion is based on current court decisions, statutes and regulations regarding control group liability under ERISA, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*United Kingdom Exit from the European Union.* On March 29, 2017, the UK formally notified the European Council of its intention to leave the European Union ("Brexit"). The UK formally left the EU on January 31, 2020 at 11:00 p.m., after which it entered the transition period, which ended on December 31, 2020. During the transition period, the majority of the existing EU rules applied in the UK. On December 24, 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which has been ratified by the UK Parliament and the EU Parliament.

Although the terms of the UK's future relationship with the EU have been agreed, the terms of the trade and cooperation agreement are silent on financial services, and there is still uncertainty as to the extent to which UK businesses will have access to the EU single market, and the extent to which EU business have access to the UK market. There is also a risk of significant disruption to trade between the UK and the EU, particularly in the initial period following the end of the transitional period and the implementation of the new trade arrangements. There can be no assurance that any renegotiated laws or regulations will not have an

adverse impact on the Funds and their investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU- and UK-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

*Privacy, Data Protection and Information Security Compliance Risk - General.* The Adviser and the Funds (and their portfolio companies) are, and will from time to time be, subject to various laws and regulations related to privacy, data protection and information security in the jurisdictions in which they do business (collectively, "Privacy Laws"). As the Privacy Laws are enacted, implemented, interpreted, applied, amended and replaced, compliance costs may increase and may require the dedication of additional time and resources, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

*Privacy Law Compliance Risk.* The adoption, interpretation and application of Privacy Laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the Funds and/or their portfolio companies, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. For example, California has passed the California Consumer Privacy Act of 2018, the EU has enacted the EU GDPR and the Cayman Islands has enacted the Cayman Islands Data Protection Act, 2019, each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens and the potential for significant liability for regulated entities, which could include the Adviser, the Funds and/or their portfolio investments.

*Absence of Regulatory Oversight.* While the Funds may, in some respects, be considered to be similar to investment companies, they are not registered, and do not intend to register, as such under the Investment Company Act or the laws of any other country or jurisdiction (other than as a private fund in accordance with the Private Funds Act in the Cayman Islands) and, accordingly, the provisions of the Investment Company Act will not be applicable to the Funds. In addition, a Fund's interests are not required to be, and have not been, registered under the Securities Act or the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). Because of such lack of registration, the protections provided by such statutes and certain regulations of the various regulatory agencies thereunder will not be available to limited partners.

*Additional DI Fund Risks.* A DI Fund will seek investments in the DI sector, which is a dedicated investment strategy different from the more diversified investment strategy pursued by the PE Funds. Accordingly, unlike its experience in the private equity sector in general, the Adviser has less experience and performance history exclusively in the DI sector for a prospective investor to consider. The investment professionals directly responsible for Berkshire's DI program and any DI Funds have not previously managed an independent investment fund focused exclusively on DI investing. In addition, the investments



made by a DI Fund may differ from previous investments made by the investment professionals directly responsible for such Fund in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular transaction, amount of leverage used, structure and holding period.

The investments that the DI Funds intend to make will be concentrated in DI. Concentration in a single type of business may involve risks greater than those generally associated with broader investment strategies diversified across businesses, including significant fluctuations in returns. The DI industry is challenged by various factors, including rapidly changing market conditions, technology and/or participants, new competing products and services, and/or improvements in existing products. The DI Funds' investments will compete in this potentially volatile environment. There is no assurance that products or services sold by the DI Funds' investments will not be rendered obsolete or adversely affected by competing products and services or that the DI Funds' investments will not be adversely affected by other challenges. Instability, fluctuation or an overall decline within the DI industry will likely not be balanced by investments in other industries not so affected or affected in the same manner.

In addition, DI Fund investments may also be subject to additional risks, including (i) the risk that technology employed will be not be effective or efficient; (ii) the risk of equipment failures, failure to perform according to design specifications, failure to meet expected levels of efficiency, loss of sale and supply contracts; (iii) bankruptcy of or defaults by key customers, suppliers or other counterparties, and tort liability; (iv) risk of changes of values of DI sector companies; (v) risks associated with employment of personnel and unionized labor; (vi) political and regulatory considerations and popular sentiments that could affect the ability of the DI Funds to buy or sell investments on favorable terms; (vii) significant commodity risks including price, volumetric and spread risk; (viii) risks in effecting operating improvements and in the implementation of business plans and growth initiatives; (ix) risks associated with multi-step transactions; (x) governmental and regulatory risks, including the risk of adverse regulatory changes affecting the infrastructure industry generally or the DI Funds' investments in particular; (xi) risks associated with the construction and development of new or development-stage DI projects; (xii) operating and technical risk; (xiii) weather and climate risk; (xiv) environmental risks associated with infrastructure assets; (xv) the need for regulatory approvals, permits, and compliance with numerous federal, state and local statutory and regulatory standards; (xvi) governmental contracts risk; (xvii) the risk of rate regulation by government agencies; (xviii) the right of government authorities to restrict the use of public ways or easements; (xix) potential risks arising from foreign acquisitions of U.S. "critical infrastructure"; (xx) inflation risk; (xxi) public demand, usage and patronage risk; (xxii) interest group and legal risk; (xxiii) real estate risks; (xxiv) the effects of ongoing changes in the utility industry; (xxv) risks relating to the operation of REIT subsidiaries; (xxvi) risks relating to communications investments, including with respect to demand for easement space, small lessee pool, highly concentrated market, industry consolidation, competition, new communications technology, service and other interruptions, the potential for more churn than expected and/or less organic growth than expected, litigation costs and expenses, unanticipated liabilities, lease expirations, lease terminations, real property interests, creditworthiness of lessees, tenant bankruptcy, geographic concentration, risk of human error, sufficiency of earthquake, flood, and other insurance, and the health effects of radio frequency emissions; (xxvii) other risks discussed in DI Fund Governing Documents and offering documents; and (xxviii) other unanticipated events which adversely affect operations. The occurrence of events related to any of the foregoing could have a material adverse effect on the DI Funds and their investments. These and other inherent business risks could affect the performance and value of the DI Funds' investments.

## **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

### **Related General Partners**

As mentioned above, various entities serve as general partners of the Funds, and each general partner of a Fund is a related person of the Adviser. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Adviser**

The Adviser considers the relationship with its affiliated adviser, Stockbridge, to be material to its advisory business. Stockbridge is separately registered as an investment adviser with the SEC and, like the Adviser, is a wholly-owned subsidiary of BPSP, L.P. Stockbridge pursues a marketable securities strategy and primarily invests in publicly traded securities. For a description of material conflicts of interest created by the relationship between the Adviser and its affiliated adviser, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Pooled Investment Vehicles**

The pooled investment vehicles advised by Stockbridge are, by virtue of the Adviser's relationship with Stockbridge, affiliated with the Adviser and the Funds. Although they have different investment objectives, the Funds from time to time participate in transactions alongside the pooled investment vehicles and other clients advised by Stockbridge. For a description of material conflicts of interest created by the relationship between the Adviser and any such affiliated pooled investment vehicles or accounts, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

### **Code of Ethics**

The Adviser has adopted a written code of ethics (the "Code of Ethics") that is applicable to (i) all of its Managing Directors, principals, partners, officers (or any person performing similar functions) and employees and other personnel; (ii) every natural person (whether or not an employee of the Adviser) that is subject to the Adviser's supervision and control that (a) has access to nonpublic information regarding a Fund's purchase or sale of securities, (b) is involved in making securities recommendations to a Fund, or (c) has access to nonpublic securities recommendations to a Fund, as well as officers and employees of Stockbridge and certain independent contractors; and (iii) members of the household of any of the natural persons listed under (i) and (ii) (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain preclearance and reporting obligations. The Code of Ethics prohibits Adviser Personnel (other than certain Advisory Directors of the Adviser) from purchasing certain "covered securities" for their own accounts. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser's Chief Compliance Officer ("CCO") as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

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



A copy of the Code of Ethics is available to any client or prospective client upon written request to [Compliance@berkshirepartners.com](mailto:Compliance@berkshirepartners.com).

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

The Adviser, certain employees of the Adviser and Stockbridge and certain Portfolio Advisors to the Adviser invest in and alongside the Funds, including through the general partners, as direct or indirect investors in the Funds or through separate investment vehicles. A Fund or its general partner, as applicable, typically will waive or reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. In addition, certain employees or other related persons of the Adviser and Berkshire are investors in, or managers of, certain investors in the Funds. This creates a conflict of interest, as the Adviser may be incentivized to give such investors preferred terms with respect to its investment in a Fund. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “*Conflicts of Interest*” immediately below.

Although all investors in a Fund receive a standard set of offering materials for a Fund, including a private placement memorandum, applicable Governing Documents and such other due diligence information that the Adviser believes may be helpful to an investor in evaluating an investment in such Fund, potential investors in a Fund (including purchasers of a limited partner’s interests in a secondary transaction) or a coinvestment opportunity (see below) may ask different questions and request different information in addition to the information the Adviser provides to all prospective investors. In response to such requests, the Adviser provides from time to time additional or more detailed information to one or more investors or prospective investors that it does not provide to all of the prospective investors or limited partners.

## **Conflicts of Interest**

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

The Adviser, from time to time, establishes certain investment vehicles through which certain employees, business associates, “friends and family” of the Adviser or Stockbridge and their personnel (including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles) (collectively, “Adviser Investors”), certain individuals and entities that are also investors in one or more Funds, and/or individuals and entities that are not investors in any Funds (“Third Parties”) invest alongside one or more of the Funds in one or more investment opportunities. The establishment of certain of these vehicles, referred to herein as “Coinvestment Vehicles,” may be required by a Fund’s Governing Documents. Coinvestment Vehicles are typically contractually required to purchase and sell certain investment opportunities at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Coinvestment Vehicles comprised primarily of Adviser Investors or formed for a specific investment opportunity only typically do not pay Advisory Fees or Carried Interest. Committed Coinvestment Vehicles comprised primarily of Third Parties will typically pay fees and compensation to the Adviser. See the discussion of the potential conflicts associated with such fee arrangements below under “*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*.”

***Resolution of Conflicts.*** In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser will consider various factors, including, for example, the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-

term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions set forth in a Fund's Governing Documents and/or in the Adviser's Compliance Policies and Procedures Manual;
- Conflicts of interest related to the allocation of opportunities between the Funds and Stockbridge Funds (as defined below) are mitigated because the Funds generally pursue different investment strategies from the pooled investment vehicles and accounts advised by Stockbridge;
- Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. Each Fund's advisory committee meets as required and requested by the Adviser to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In addition, certain provisions of a Fund's Governing Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives. While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

**Conflicts.** The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the potential conflicts that may be faced by a Fund. Other conflicts are disclosed throughout this Brochure and in the offering documents of each Fund, and these materials should be read in their entirety for other conflicts.

In addition to a Fund, the Adviser and its affiliates serve, and in the future may serve, as the investment manager to certain other entities, including other Funds. Additionally, the Managing Directors of the general partner of one Fund are generally also Managing Directors of the general partners of each other Fund, the Adviser and Stockbridge. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by a Fund. Please see "*Stockbridge*," "*Other Strategies*" and "*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*" below for important information on allocations of investment opportunities. In addition, there are certain restrictions on the ability of a Fund to invest in portfolio companies of the other Funds.

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

**Stockbridge.** Stockbridge primarily invests in publicly traded securities without seeking or obtaining governance rights. However, from time to time, Stockbridge and its affiliates will provide investment advice to investment funds and managed accounts that follow investment programs similar to or different from

those of the Funds (each, a “Stockbridge Fund”), and Stockbridge Funds have in the past and are likely in the future to continue to invest in the same companies in which the Funds are invested. The Funds have no interest in Stockbridge Funds. Conflicts of interest may arise among the Funds and Stockbridge Funds, which include, but are not limited to, those described below. As deemed appropriate, the Adviser may notify or seek the advice or consent of a Fund’s advisory committee with respect to any conflict related to a Stockbridge Fund.

There may be a conflict of interest in the allocation of investment opportunities among the Funds and Stockbridge Funds. Investments by a Fund and a Stockbridge Fund in the same portfolio company may raise the risk of using the resources of a Fund to support positions taken by a Stockbridge Fund. The Adviser, Stockbridge and their affiliates will evaluate for the Funds or Stockbridge Funds a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for the Funds or Stockbridge Funds, including the nature of the investment opportunity taken in the context of the other investments at the time, the potential liquidity of the investment relative to the needs of the Funds or Stockbridge Funds, investment or regulatory limitations and the transaction costs involved. Because these considerations will generally differ for the Funds and one or more Stockbridge Funds in the context of any particular investment opportunity, investment activities of the Funds and Stockbridge Funds will generally differ considerably. To the extent required by a Fund’s Governing Documents and to the extent legally or contractually permitted, prior to a Fund making any investment in a portfolio company in which a Stockbridge Fund holds an investment, the Adviser will provide notice of such investment to the Fund’s advisory committee.

In general, investments in publicly traded equity securities without the desire for governance rights will be allocated to Stockbridge Funds, and investments in privately held equity securities will be allocated to the PE Funds, and investments in DI will be allocated to the DI Funds. However, from time to time, Stockbridge Funds and the Funds will invest in the same securities, and there can be no assurances that an investment opportunity which comes to the attention of the Adviser will not be allocated wholly or primarily to Stockbridge Funds based on, among other things, the factors listed above, with the Funds being unable to participate in such investment opportunity or participating only on a limited basis.

A Fund (or the Adviser on a Fund’s behalf) or a Stockbridge Fund may invest in opportunities that other Funds have declined, and likewise, a Fund (or the Adviser on a Fund’s behalf) or a Stockbridge Fund may decline to invest in opportunities in which other Funds or Stockbridge Funds have invested. A conflict of interest arises when one Fund or Stockbridge Fund, in such circumstances, benefits from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting Fund or Stockbridge Fund typically will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

A Fund could be disadvantaged because of the activities conducted by Stockbridge or its affiliates for Stockbridge Funds as a result of, among other things, (i) legal restrictions on the combined size of positions held for all accounts managed by the Adviser, Stockbridge or their affiliates, thereby limiting the size of a Fund’s position, (ii) the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions and (iii) the regulatory filing obligations that could be imposed on the Adviser, Stockbridge or their affiliates if, for example, the Adviser, Stockbridge and their affiliates are treated as members of a “group,” resulting in aggregation of their holdings for purposes of their regulatory filing obligations or the applicability of short-swing profit disgorgement rules with respect to such acquisitions and dispositions, where the Funds and the Adviser would not have been subject to such filing obligations and short-swing profit rules in the absence of Stockbridge Funds being invested in the same securities. These filing obligations and short-swing profit rules may cause the Adviser to make investment decisions for the Funds different from the decisions it would have made in the absence of affiliation with Stockbridge. In general, the Adviser intends to manage the Funds’ investments to avoid the short-swing profit liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.

*Other Strategies.* The Adviser or its affiliates has in the past and continues to pursue investment strategies that it believes are complementary to the Berkshire PE and Berkshire DI businesses, including, but not limited to, infrastructure investments for the PE Funds, equity investments for the DI Funds, and debt financing investments (e.g., bank loan participations or assignments, bonds, mezzanine debt or similar investments), including, without limitation, minority investments in or related to the debt financing of a portfolio company of a Fund (subject to the restrictions set forth in the Governing Documents for the applicable Fund), which would raise the conflicts described in the following paragraph. Further, pursuing such alternative investing strategies that differ from those of a Fund creates conflicts of interest between the PE Funds and the DI Funds, and among such Fund and the Adviser's affiliates that invest in such securities. If such complementary investing strategies are pursued, there will be a conflict of interest in the allocation of investment opportunities among a Fund and such affiliates. In such event, similar to Stockbridge, the Adviser will evaluate for such Funds or such affiliates a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for each such Fund or such affiliates, including the nature of the investment opportunity taken in the context of market conditions at the time, consistent with the Governing Documents for the applicable Funds, and consistent with the allocation policies and procedures adopted by the Adviser.

As noted above, the Adviser or its affiliates, on behalf of a Fund, may occasionally evaluate an investment in the debt securities of a portfolio company of a Fund, and a Fund has in the past and is expected to again in the future also invest in a portfolio company in which such affiliates have previously made or concurrently will make an investment (including debt investments). Investments made by such affiliates and a Fund could be in different parts of a portfolio company's capital structure, including with respect to seniority, interest rates, security, dividends, voting rights and participation in liquidation proceeds. In addition, such investments could be acquired by a Fund and such affiliates at different times or at different prices. As a result, the interests and/or investment objectives of a Fund and such affiliates may differ in the case of financial distress of such portfolio company, including the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment. If such a conflict between a Fund and such affiliates arises, it is contemplated that such affiliates would not exercise their voting rights with respect to their debt securities in such portfolio company; provided, however, that if such voting rights are exercised, the respective Fund's general partner will obtain the approval of the respective advisory committee prior to such vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may be detrimental to a Fund. The Adviser will notify or seek the advice or approval of a Fund's advisory committee to the extent conflicts arise between such Fund and such affiliates as required by such Fund's Governing Documents.

Please see "*Conflicts Related to Purchases and Sales*" below for a description of other conflicts that may arise when more than one Fund, or a Fund and an affiliate invests in overlapping layers of the capital structure of a portfolio company.

*Allocation of Investment Opportunities Among Funds and Allocation of Coinvestment Opportunities.* The Funds are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"). Investment Allocation Requirements are set forth in a Fund's Governing Documents or offering documents. Investment opportunities suitable for the Funds are occasionally available for the participation of more than one Fund at any given time. Investment Allocation Requirements govern the allocation of investment opportunities exclusively among the Funds. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser takes into account such factors that it determines in its sole discretion to be relevant, consistent with the Adviser's respective business models for the PE Funds and the DI Funds, as well as the Adviser's policies and procedures relating to the allocation of investment opportunities among Funds, as in effect at the time of such allocation. The Adviser will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner. The application of the Investment Allocation Requirements will sometimes result in allocation on a non-pro rata

basis, and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives. The Adviser makes allocation determinations based solely on the Adviser's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

Subject to any Investment Allocation Requirements and Side Letter considerations, in general, (i) no investor in a Fund has a right to participate in any coinvestment opportunity solely as a result of its investment in a Fund (although investors in a Coinvestment Vehicle will participate indirectly in a coinvestment opportunity that is allocated to that Coinvestment Vehicle); (ii) coinvestment opportunities have been and will be offered to some and not other investors in the Funds (with allocations that are expected to differ from such investors' proportionate investments in a Fund), in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors; (iii) decisions regarding whether and to whom to offer coinvestment opportunities have been made and may again in the future be made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, and investors may be offered a smaller amount of coinvestment opportunities than originally requested and an investor may be offered fewer co-investment opportunities than other investors with the same, larger or smaller capital commitments in the same Fund; (iv) certain persons other than investors in the Funds (e.g., consultants, joint venture partners, persons associated with a portfolio company and other Third Parties) rather than one or more investors in a Fund have been and will be offered the right to coinvestment opportunities (contractually or otherwise) in the sole discretion of the Adviser or its related persons; and (v) coinvestors typically purchase their interests in a portfolio company at the same time as the Funds or from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Each coinvestment opportunity (should any exist) is likely to be different, and the allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). The ability of coinvestment parties to participate in follow-on investments to coinvestment opportunities will be determined on a deal-by-deal basis. Additionally, non-binding acknowledgements of interest in coinvestment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a coinvestment opportunity.

The Adviser will determine (in its sole discretion) if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated to certain participants in the applicable investment, such as consultants, financing providers and advisors to the Adviser and/or the Funds or management teams of the applicable portfolio company and Third Parties, including certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interests of the applicable Funds), and any such excess may be offered to one or more Coinvestment Vehicles or other coinvestors as set forth in the following paragraphs. There will be circumstances where the Adviser determines, for strategic or other reasons, an amount that could have otherwise been invested by a particular Fund is instead allocated to one or more coinvestors.

In addition, Coinvestment Vehicles have in the past and may in the future be formed to make investments alongside a Fund. In such cases, the Coinvestment Vehicle will have a priority right to make coinvestments in some or all of the investments made by such Fund. The existence of such a priority right will significantly reduce or eliminate coinvestment opportunities available to the investors.

In exercising its discretion to allocate coinvestment opportunities with respect to a particular investment among the Funds, Coinvestment Vehicles and other potential coinvestors, the Adviser will consider some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- The size and financial resources of a potential coinvestment party;



- The ability of such potential coinvestment party to efficiently and expeditiously participate in such investment opportunity (including whether the potential coinvestment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Confidentiality concerns in connection with providing such potential coinvestment party information relating to the investment opportunity;
- Whether a potential co-investment party has a history of participating in co-investment opportunities and the Adviser's past experiences and relationships with such potential coinvestment party;
- Whether such coinvestment opportunity is likely to subject such potential coinvestment party or the potential portfolio company to legal, regulatory, competitive, reporting, public relations, media or other concerns, as a result of the potential coinvestment party participating in the coinvestment opportunity;
- Level of demand for participation in such coinvestment opportunity
- Whether the profile or characteristics of the potential coinvestment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of a Fund to take advantage of such opportunity;
- The ability of a potential coinvestment party to aid in the operations or strategy of a portfolio company and whether the potential coinvestment party has any existing positions in, or other familiarity with, the portfolio company;
- Whether the potential coinvestment party would require any governance rights that would complicate the transaction (or, alternatively, whether the potential coinvestment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);
- The Adviser's evaluation of whether a particular potential coinvestment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;
- Whether the potential coinvestment party will make commitments to invest in other Funds (including concurrently with the applicable coinvestment);
- Any interests the potential coinvestment party has in any competitors of the portfolio company;
- The existence of any committed Coinvestment Vehicle; and
- Whether allocating investment opportunities to such potential coinvestment party will help establish, recognize, strengthen and/or cultivate relationships that may provide direct or indirect longer-term benefits (including strategic, sourcing or similar benefits) to current or future investment vehicles and/or the Adviser, as well as shorter term benefits such as granting coinvesting rights as part of an early close and/or anchor or other commitment to a Fund.

The factors above are not listed in order of importance or priority, and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment, and some factors will be more or less important depending upon the nature of the particular investment and attendant circumstances.

As described above under “*Conflicts of Interest*,” the Adviser will from time to time establish a committed Coinvestment Vehicle to participate in coinvestment opportunities, should they arise, on a side-by-side basis with investments made by the Funds. Investors in such committed Coinvestment Vehicles include certain Fund investors, Adviser Investors and/or Third Parties. In certain cases, the Adviser will receive fees and compensation with respect to such committed Coinvestment Vehicle. The Adviser is under no obligation to establish such committed Coinvestment Vehicle and, if so established, the Adviser is under no obligation to offer participation in such committed Coinvestment Vehicle to any investor. To the extent that any Coinvestment Vehicle is offered an opportunity to invest in a portfolio company alongside a Fund, the Adviser is not required to reduce a Fund’s Advisory Fee by the portion of any Portfolio Company Fees allocable to such Coinvestment Vehicle based on its proportionate interest in the portfolio company.

The Adviser’s exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, Coinvestment Vehicles and other potential coinvestors, Adviser Investors and Third Parties, and in the manner discussed above, may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a coinvestment opportunity to certain persons over others based on its economic arrangement with such persons. In particular, certain side letters with Fund investors could contain provisions that economically incentivize the Adviser to offer coinvestment opportunities to such investors. Such side letters could provide for the Adviser and/or its affiliates to receive economic consideration (including, without limitation, management fees, other fees and/or carried interest) with respect to coinvestment opportunities. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund’s actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to coinvestors, there can be no assurance that the Adviser will be successful in offering a coinvestment opportunity, in whole or in part, to a potential coinvestor, that the closing of such coinvestment will be consummated in a timely manner, that the coinvestment will take place on the terms and conditions that will be preferable for the Fund or that expenses incurred by the Fund with respect to the syndication of the coinvestment will not be substantial, and the Funds bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential coinvestment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund’s investment objective. Although the Adviser has in the past been successful in offering and fulfilling coinvestment opportunities on specific transactions, it is possible that if the Adviser were not successful in offering a coinvestment opportunity, the Fund would consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended and would bear the entire portion of any fees, costs and expenses related to such investment. An investment that is not syndicated to coinvestors as originally anticipated could significantly reduce a Fund’s overall investment returns.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund’s Governing Documents, the Adviser will consider the factors it deems relevant, which may include the factors listed above, in exercising such discretion. Subject to any restrictions in the Governing Documents of the applicable Fund, the Adviser or its related persons may be asked to identify a limited number of Adviser Investors or Third Parties to potentially acquire the interest being transferred.

With respect to consummated transactions, coinvestors (including Coinvestment Vehicles) will typically bear their pro rata share of fees, costs and expenses related to the discovery, investigation, development,

acquisition, ownership, maintenance, monitoring, hedging and disposition of their coinvestments. In certain circumstances, coinvestors may also be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as Break-Up Fees or “broken deal” expenses. The Adviser will endeavor to allocate such fees, costs and expenses on a fair and equitable basis; however, coinvestors may not agree to pay or otherwise may not bear such fees, costs and expenses if such coinvestors have not been identified as of the time such potential investment ceases to be pursued and/or if such coinvestors did not agree to pay such fees, costs and expenses as a condition to participating in the coinvestment opportunity. In that event, such fees, costs and expenses will be considered operating expenses of and be borne by a Fund to the extent such coinvestment opportunity substantially progressed. Notwithstanding the foregoing, the Adviser will bear the pro rata portion of such fees, costs and expenses allocated to the Adviser’s coinvestment or the amount allocable to coinvestors to the extent the opportunity did not substantially progress. “Broken deal expenses” often include, among other things, legal, accounting advisory, consulting or other third-party expenses, travel and travel-related and accommodation expenses, fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investments, any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs, damages and judgments and other expenses, and any deposits of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

There have in the past and may again in the future be occasions when, for ease of administration or if a counterparty requires, one Fund (the “Obligor”) contractually serves as obligor (e.g., in providing a guarantee) on behalf of multiple funds (the “Allocated Funds”). On such occasions, each Allocated Fund will enter into an agreement to fund or reimburse its pro rata portion of any applicable liability contractually assumed by the Obligor. In addition, the Adviser or Stockbridge have in the past and will in the future incur expenses allocable to the Funds, Stockbridge Funds and/or portfolio companies for third-party research materials later used by and for the benefit of the Funds, Stockbridge Funds and/or portfolio companies advised by the other adviser. In the event that both the Adviser and Stockbridge jointly commission such research, the Adviser and Stockbridge will allocate as equitably as possible such costs between the respective Funds, Stockbridge Funds and/or portfolio companies.

The appropriate allocation among the Funds, any Stockbridge Funds and the Adviser of expenses and fees generated in the course of evaluating potential investments that are not consummated, such as out-of-pocket expenses associated with due diligence, attorney’s fees and the fees of other professionals, will be determined by the Adviser and Stockbridge, with respect to allocations involving the Stockbridge Funds in its or their sole discretion. Certain expenses of the Funds and the Adviser incurred in connection with originating, evaluating, negotiating, structuring, conducting due diligence, acquiring, monitoring, valuing, selling or otherwise disposing of the Funds’ assets may be borne by one or more portfolio companies.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons derive, directly or indirectly, a higher fee, compensation or other benefit. While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund’s actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

In addition, Adviser Personnel invest, either indirectly or directly, in the Funds and, therefore, participate in investments made by the Funds in which they invest. Although the Adviser believes these investments serve to align the interests of the Adviser Personnel with those of the Funds, individuals’ and aggregate interests will vary Fund by Fund. The existence of these varying circumstances may present potential conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund,

including an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest.

The Adviser and/or a Fund may invest in the securities offerings of a portfolio company held by another Fund (including through initial public offerings), which would result in the Adviser and/or a Fund receiving an allocation of portfolio company securities. In addition to conflicts of interest arising from the allocation of such securities, this arrangement also leads to similar conflicts described below under “*Conflicts Related to Purchases and Sales*.”

*Conflicts Related to Purchases and Sales.* As discussed above in “Other Strategies,” the Adviser or its affiliates has in the past and continues to pursue investment strategies that it believes are complementary to the Berkshire PE and Berkshire DI businesses of the Adviser, including, but not limited to, infrastructure investments and debt financing investments (e.g., bank loan participations or assignments, bonds, mezzanine debt or similar investments). For purposes of this “Conflicts Related to Purchases and Sales” any such future pooled investment vehicles raised by the Adviser or its affiliates to pursue such other investment strategies are also referred to herein as the “Funds”.

Funds from time to time invest in conjunction with an investment being made or sold by other Funds or Stockbridge Funds or in a transaction in which another Fund or Stockbridge Fund has previously made or concurrently will make an investment. Conflicts may arise in connection with such investments. Investment opportunities may be appropriate for Funds and/or Stockbridge Funds at the same, different or overlapping levels of a portfolio company’s capital structure. Conflicts could arise in determining the terms of investments, particularly if a Fund and a Stockbridge Fund, or a PE Fund and a DI Fund, were to invest in different types of securities in a single portfolio investment, if such investments were to be acquired by a Fund and such affiliates, or a PE Fund and a DI Fund, at different times at or at different prices or due to differences in their respective timing of entry into, or exit from, a portfolio investment for reasons such as differences in strategy or existing portfolio liquidity needs. In such event, the interests of the Funds and/or Stockbridge Funds will not always be aligned, which gives rise to conflicts of interest. In pursuing such strategies, the Adviser will evaluate for the relevant Fund(s) and/or such affiliates a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for each such Fund or such affiliates, including the nature of the investment opportunity taken in the context of market conditions at the time, consistent with the Governing Documents for the applicable Fund(s), and consistent with the allocation policies and procedures adopted by Adviser. In certain circumstances, the Adviser may notify or seek the advice of the advisory committee(s) of the relevant Fund(s) to the extent conflicts arise among the Funds and such affiliates as required by the Governing Document or otherwise determined by the Adviser. The application of the Funds’ Governing Documents, and Berkshire’s policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by one or more PE Funds, DI Funds, and/or Stockbridge Funds in different classes of an issuer’s capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there could be a degree of variation and potential inconsistencies in the manner in which potential or actual conflicts are addressed.

Additionally, the interests and/or investment objectives of a Fund and its affiliates may differ in the case of financial distress of a portfolio investment. Questions could arise as to what action should be taken when a portfolio investment is in financial distress, including the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment, whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated, or whether debt should be refinanced or restructured, whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, the terms of any work-out or restructuring or other concessions that may be given in such a situation may raise conflicts of interest, and the Adviser may be incentivized to choose a course of action that benefits one Fund or a Stockbridge Fund to the detriment of another Fund or a Stockbridge Fund. In the event that another Fund or a Stockbridge Fund has a controlling or significantly influential position in a portfolio

company, it will often have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling or influencing the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, the controlling Fund or Stockbridge Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a portfolio company. Such management and operational decisions may, at times, be in direct conflict with another Fund that has invested in the same portfolio company that does not have the same level of control or influence over the portfolio company.

A Fund or a Stockbridge Fund may invest in bank debt and securities of companies in which the other holds securities, including equity securities, and their interests may be in conflict, particularly in circumstances where the underlying company is facing financial distress. In such instances, it may be in the best interest of a Fund or Stockbridge Fund holding debt securities to declare a default, accelerate a loan or take other protective actions, while such actions would harm another Fund's or Stockbridge Fund's equity investment in the portfolio company. The involvement of a Fund and a Stockbridge Fund at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, a Fund or a Stockbridge Fund may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided, each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of a Fund. In the event a Fund or a Stockbridge Fund is unable to fund its share of additional capital (e.g., in the event such Fund does not have sufficient available capital), the other Fund may be obligated to fund more than its share of such amount. In such event, a Fund or a Stockbridge Fund will gain greater exposure to such investment than may have been intended and the other Fund will be diluted in such investment. The returns of each Fund or Stockbridge Fund may be negatively impacted as a result of the foregoing. Investments by more than one Fund or Stockbridge Fund in a portfolio company may also raise the risk of using resources of a Fund or Stockbridge Fund to support positions taken by another Fund or Stockbridge Fund, or that a client may remain passive in a situation in which it is entitled to vote (or may otherwise have been able to vote absent the investment by an affiliated person). Employees and related persons of the Adviser and Stockbridge have made and are expected to make in the future capital investments in or alongside certain Funds or Stockbridge Funds and, therefore, will likely have additional conflicting interests in connection with these investments. In addition, where more than one Fund or a Fund and a Stockbridge Fund invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms. For example, because the Adviser may have an incentive to show realized returns in connection with other fundraising activities (including fundraising for a successor fund), and because one Fund's term may expire before the end of another Fund's term, such Funds may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund. At the same time, if the Adviser determines it is advisable for a Fund to exit an investment at the same time as another Fund of the Adviser or a Stockbridge Fund, the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments.

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



From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds, co-investors, Adviser Investors or Third Parties to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser will comply with the requirements set forth in the Governing Documents of the applicable Fund(s), or to the extent not addressed in the Governing Documents of the applicable Fund(s), the Adviser typically considers some or all of the factors listed above under “*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*.” The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, which means the Adviser may not obtain the highest price for the transaction, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. Any such transactions will comply with the Governing Documents of the applicable Fund(s).

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into (a) limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a “reverse termination fee” to the seller entity and (b) full guarantee arrangements where such Funds agree to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain Coinvestment Vehicles with investments contractually tied to the Fund (including Coinvestment Vehicles through which employees of the Adviser participate) are generally obligated to pay their proportionate share of the equity purchase price and/or the reverse termination fee (whether pursuant to the applicable Funds’ Governing Documents or otherwise), such Coinvestment Vehicles are generally not direct parties to the equity commitment arrangements or limited guarantees. Therefore, in the unlikely event that a Coinvestment Vehicle defaults on an arrangement with the Fund to pay its proportionate share of the equity purchase price (if any) or such an arrangement does not exist, the Fund would be liable for the entire equity purchase price or, other applicable obligations.

The Funds, from time to time, coinvest with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third party may have differing economic or business goals than those of the Fund, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third-party coinvestors. There can be no assurance that the return of a Fund participating in a transaction with a third party 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.

**Cross-Transactions.** The Adviser has in the past and may in the future cause a Fund to purchase investments from or sell investments to another Fund or Stockbridge Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, Stockbridge and/or their professionals may (i) have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and Stockbridge receive management or other fees in connection with their management of the relevant Funds or Stockbridge Funds involved in such a transaction and may also be entitled to share in the investment profits of the relevant Funds or Stockbridge Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser

will follow the Investment Allocation Requirements of the relevant Funds. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser will ensure that it (a) considers its respective duties to each Fund; (b) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party; and (c) determines whether a Fund's Governing Documents (or other authority) require approval of the transaction's terms and conditions by a Fund's advisory committee.

*Principal Transactions.* Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent prior to the settlement of any principal transaction. In connection with the Adviser's management of the Funds, the Adviser and Stockbridge from time to time engage in principal transactions, subject to receiving the consent required under Section 206. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents or Governing Documents of the Funds contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

*Management of the Funds.* The Adviser manages a number of Funds that typically have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*" above. The Adviser may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies will not hold the same securities or achieve the same performance. In addition, a Fund may not be able to invest through the same investment vehicles or have access to similar credit or utilize similar investment strategies as another Fund. These differences will result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that Adviser Personnel responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser (and, in the case of certain employees, with respect to Stockbridge Funds), including funds that may be raised in the future or to proprietary investments made by the Adviser and/or its principals. Conflicts of interest may arise in allocating time, services or functions of Adviser Personnel. Adviser Personnel have an incentive to allocate more time, services or functions to Funds from which such personnel derive a higher economic benefit and/or better performing Funds.

The Adviser may, from time to time, consider, and reject an investment opportunity on behalf of one Fund and, the Adviser or an affiliate of the Adviser, may subsequently determine to have another Fund, a future fund, or fund of the Adviser's affiliate make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund or funds will generally not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

*Access to Insider Information.* As a result of participation by representatives of Stockbridge or the Adviser on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by Stockbridge or the Adviser, the Funds may acquire confidential or material,

non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information, which may serve to restrict a Fund in its investment activities. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Such possession of material, non-public information may create a conflict of interest involving (i) the duties and obligations of Stockbridge, the Adviser or their representatives to the companies on whose boards these representatives participate and (ii) a Fund's ability to effect purchases and sales of the securities of such companies. Inadvertent trading on material, non-public information could have material adverse effects on the Adviser's reputation, result in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact the Adviser's ability to perform its investment management services on behalf of the Funds. The Adviser maintains a Code of Ethics that limits its employees' ability to engage in personal trading and allows the Adviser to monitor for such activity.

In addition, the Adviser and Stockbridge receive and generate various kinds of company data and other information, including information related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics, some of which is sometimes referred to as "big data." This information may, in certain instances, include material, non-public information received or generated in connection with efforts on behalf of one Fund's or a Stockbridge Fund's investment (or prospective investment) in a portfolio company. As a result, the Adviser may be better able to anticipate macroeconomic and other trends, financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies. The Adviser also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by a Fund may enable the Adviser to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other Funds that do not own an interest in such portfolio company, without compensation or benefit to such Fund or its portfolio companies. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the Funds). The Adviser has in the past and is likely in the future to enter into agreements that limit the distribution and use of such data. Subject to the limitations of such agreements and applicable securities laws, the Adviser, its affiliates, or certain other Funds or the Stockbridge Funds may in the future use or benefit from this information without being required to compensate the Fund or Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments based on the data and information expected to be received or generated from such potential investment. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to use data and information from a Fund's activities in its sole discretion for the benefit of the Adviser and other Funds. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by the Adviser or its personnel will not be subject to the Advisory Fee offset provisions or otherwise shared with a Fund or its investors. The Adviser has in the past and is likely in the future to utilize such information, subject to contractual restrictions and applicable securities laws, to benefit the Adviser, its affiliates or certain Funds and Stockbridge Funds in a manner that may otherwise present a conflict of interest resulting from the particular facts and circumstances but does not intend to specifically disclose each of such conflicts to the relevant Funds.

The Adviser and Stockbridge are considering, and may also enter into, formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow the Adviser, Stockbridge, the Funds, the Funds' portfolio companies, the Stockbridge Funds and the Stockbridge Funds' investments to better discern economic or other trends and developments. If these initiatives are undertaken, the Adviser believes that all Funds will benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser's and Stockbridge's

businesses and the Funds' portfolio companies and the Stockbridge Funds' investments. However, information sharing may involve conflicts of interest between the Funds, between the Funds and the Stockbridge Funds and/or between the Funds or Stockbridge Funds and the Adviser or Stockbridge. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and Stockbridge, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, the Adviser and Stockbridge may utilize such data outside of Fund activities in a manner that may provide a benefit to the Adviser and/or Stockbridge, without directly compensating or otherwise benefiting the Funds. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Funds.

***Fee Structure.*** Because the calculation of the Advisory Fee to be paid by a Fund to the Adviser is at certain times in a Fund's life based on aggregate commitments funded in respect of investments that have not been subject to a disposition or written off, this fee structure creates the potential incentive to deploy capital when the Adviser may not otherwise have deployed capital.

Additionally, as discussed above in Item 6, the general partners of the Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. Such general partners are affiliates of the Adviser. The existence of the general partners' Carried Interest creates the potential incentive for the general partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by the Adviser or its affiliates in a Fund, the clawback obligation of the general partner (as described below) and the fact that the preferred return is calculated on a cumulative basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of the Adviser's personnel.

Additionally, the 2017 enactment of the Tax Act provides, among other things, that if certain holding period requirements are not met, carried interest and performance-based income will be subject to higher rates of U.S. federal income tax than was the case under prior law. This new holding period requirement could affect investment decisions, including with respect to decisions on the timing and structure of dispositions. For example, the Tax Act gives the general partner an incentive to cause the Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on income allocated with respect to carried interest, even if there are attractive realization opportunities prior to that time. In resolving such conflicts, the general partner may take into account its and its affiliates' tax positions, including positions precipitated by the Tax Act, and there is no assurance that Fund returns will not be adversely affected relative to what returns would have been absent such considerations.

Pursuant to the Governing Documents, a general partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation creates an incentive for a general partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for a general partner.

The general partner may elect to receive its Carried Interest in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more general partner personnel to donate such securities to charity (which may include private foundations, funds or other charities so chosen by such personnel). Any tax efficiencies to such general partner personnel associated with this form of charitable giving may impact the general partner's incentives with respect to its Carried Interest and therefore, the general partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing or manner of disposition of investments).

In addition, the general partner is incentivized to continue to hold investments that have poor prospects for improvement in order to receive ongoing Advisory Fees in the interim and, potentially, a more likely or larger Carried Interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the general partner.

The Governing Documents of certain Funds permit the general partner of each such Fund to cause such Fund to distribute such general partner's share of securities resulting from an investment disposition by such Fund to such general partner or its affiliates (including Adviser Personnel) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partner and the limited partners of the applicable Fund. The general partners are particularly incentivized to receive distributions in-kind of securities that it expects to increase in value, and in cases where the increase occurs, if the limited partners received cash distributions instead of in-kind distributions, the limited partners will be denied the benefits of that increase had the Fund retained the securities, and the general partner will receive more value from the securities than it would have had its carried interest been paid in cash. Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receives such a distribution, the general partner will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest, and with its enhanced knowledge and information, with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Fund, and the Fund and its limited partners.

*Fund Level Borrowing.* The Funds from time-to-time borrow funds or enter into other financing arrangements for various reasons (e.g., to fund an investment prior to receiving capital contributions from a Fund's investors). A Fund's use of borrowed funds will affect the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than they otherwise would be without fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. Thus, while the Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's general partner by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return or will result in the Fund's general partner receiving Carried Interest earlier than it would otherwise have. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings. Such borrowings also may increase the potential exposure of a Fund to a particular investment.

If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing is expected to be used for all limited partners in such Fund on a pro-rata basis, including the general partner. The Funds will from time to time also utilize subscription facilities to benefit coinvestment parties. For example, a Fund may borrow to fund a coinvestment party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties (including the general partner and any coinvestment party) will bear their pro rata shares of the interest expenses, but not necessarily origination and other costs allocable to the extension of credit, a Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. Calling a large amount of capital at once to repay the then-current amount outstanding under the facility could cause liquidity concerns for investors that would not arise if the relevant Fund had called smaller amounts of capital incrementally over time as needed by



it. This risk would be heightened for an investor 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 investors to meet the accumulated, larger capital calls at the same time.

Borrowings by a Fund are secured by capital commitments made by a Fund's investors to a Fund, as well as by a Fund's assets, and the documentation relating to such borrowings typically provides that during the continuance of a default under such borrowings, the interests of the investors may be subordinated to such fund-level borrowing. Moreover, tax-exempt investors should note that the use of leverage by a Fund may cause the realization of "unrelated business taxable income."

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

Furthermore, a conflict of interest also arises because a Fund that participates in a follow-on investment in a portfolio company held by another Fund will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund and from operational or other information about such portfolio company acquired from the original Fund's ownership of interests in the portfolio company. In such circumstances, such benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment. An investment by a Fund in a portfolio company in which another Fund invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other Fund and an investment by one or more other Funds in any such portfolio company may dilute the original Fund's interest in such portfolio company.

*Service Providers.* The Adviser and/or its affiliates engage service providers to provide services to the Adviser, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors or prospective investors in a Fund or affiliates of such investors, future funds, or coinvestors alongside a Fund, and may include, for example, deal sources, consultants, advisors, industry specialists, lenders, brokers, attorneys, investment or commercial bankers, investment advisers, outside directors, current and former officers and employees of current and former portfolio investments, current and former service providers to current and former portfolio investments and other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in the Fund. This creates a conflict of interest, as the Adviser may have an incentive to offer such investor coinvestment opportunities that it would not otherwise offer to such investor. In addition, the investment by such service providers in a Fund may influence the Adviser in deciding whether to select such a service provider or have other relationships with the Adviser. The Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or Stockbridge Funds or will provide the Adviser or Stockbridge information about markets and industries in which the Adviser or Stockbridge operates (or is contemplating operations) or is otherwise interested or will provide other services that are beneficial to the Adviser or Stockbridge. Additionally, employees of the Adviser, Stockbridge, their affiliates and/or their family members or relatives may have ownership, employment or other interests in such service providers. These relationships that the Adviser may have with a service

provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. Certain other service providers to the Adviser, Stockbridge, the Funds and/or the portfolio companies, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationships with the Adviser, Stockbridge, or their respective portfolio investments, employees, partners, members, shareholders, officers, directors and managers. These service providers (or their employees) may also be the source of investment opportunities, be co-investors or commercial counterparties or entities in which the Adviser, Stockbridge, the Funds and/or the Stockbridge Funds have an investment. As a result, in certain situations, payments by a Fund and/or such portfolio investments indirectly benefit the Adviser, Stockbridge and/or such Fund or Stockbridge Fund. Investors may be introduced to the Adviser, or may be brought into a Fund, by a third-party consultant from which the Adviser or a related person may make payments. Whether or not the Adviser or any of its affiliates has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that a more qualified and/or lower-cost service provider could not be obtained. The terms of any transaction involving the provision of goods or services to the Funds or any portfolio investments will be determined by the Adviser in its sole discretion and could differ significantly from the terms that would be obtained in an arm's length transaction between unaffiliated parties. Notwithstanding the foregoing, the Adviser will only select a service provider to the extent the Adviser determines that doing so is appropriate for a Fund given all surrounding facts and circumstances and is consistent with the Adviser's responsibilities under applicable law, provided, however, the Adviser will not necessarily seek out the lowest-cost option when engaging such service providers as other factors or considerations will likely prevail over cost.

Additionally, former Adviser employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to the Adviser, the Funds and/or portfolio companies. While employed by the Adviser, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by the Adviser unless a Fund's Governing Documents permit certain allocations of internal expenses to the Fund. If a former Adviser employee becomes an employee or consultant of a third party that also provides services to a Fund, such former Adviser employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former Adviser employee working on the Fund will be borne entirely by the Fund and no such amounts will reduce the Advisory Fee paid or the Carried Interest distributed by such Fund on the basis that such person used to be a former Adviser employee.

In addition, the Adviser, its personnel, the Funds and the portfolio companies of the Funds have in the past and may in the future engage common service providers. In such circumstances, there may be a conflict of interest between the Adviser and its personnel, on the one hand, and a Fund and its portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it or its personnel receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by a Fund and/or its portfolio companies. Neither the Fund nor investors in the Funds will typically receive the benefit of any such favorable rate or discount provided to the Adviser, its personnel or its affiliates, and the Advisory Fee paid by a Fund will not be reduced in connection with such favorable rate or discount. The Adviser and its personnel may from time to time receive a discount on services provided to it by such a common service provider even though a Fund and/or its portfolio companies receives a lesser, or no, discount. In addition, different portfolio companies may receive different levels of, or no, discounts. Service providers may, on occasion, charge varying amounts or may have different fee arrangements for different types of services depending on, for example, the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by the Adviser, its affiliates or their personnel differ from those required by the Funds and/or its portfolio companies, the Adviser, its affiliates or their personnel may pay different rates and fees than those paid by the Funds and/or its portfolio companies. In the event of a significant dispute or divergence of interest between Funds and the Adviser, the parties may engage separate counsel

in the sole discretion of the Adviser, and in litigation and other circumstances separate representation may be required.

Services required by a Fund (including some services historically provided by the Adviser or its affiliates to the Funds) may, for reasons of efficiency or other economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation, deal sourcing, information technology, licensed software, asset management, depository, data processing, administration, custodial, accounting, valuation, compliance, corporate secretarial, director services regulatory, legal and tax support and other similar services. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by the Adviser to initially perform in-house a service for a Fund does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future, and the Adviser has no obligation to inform such Funds or investors of such a change. In addition, to the extent permitted by the Governing Documents of a Fund, certain internal providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third-parties. The costs and expenses of any such third-party service providers will be borne by the relevant Funds.

*Conflicts Relating to the Adviser.* The Adviser has in the past and may, in its discretion, in the future contract with any related person of the Adviser (including, but not limited to, a portfolio company of a Fund or Stockbridge Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser has in the past and may, in its discretion, in the future recommend to a Fund or to a portfolio company (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or Stockbridge or a member of their personnel has a relationship or from which the Adviser or Stockbridge or their personnel otherwise derives financial or other benefit. Such relationships may influence decisions that the Adviser makes with respect to the Funds. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, Stockbridge and their partners, Managing Directors, Adviser Personnel and affiliates have in the past and may in the future buy securities in transactions offered to but rejected by the Funds, or buy securities in transactions that were not available at appropriate levels for a Fund investment. A conflict of interest could arise to the extent such investing Adviser Personnel benefits from the evaluation, investigation and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Adviser Personnel will share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity in a manner the Adviser deems to be fair and equitable.

By reason of their responsibilities in connection with other activities of the Adviser, certain Adviser Personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

In addition, Adviser Personnel also buy securities and hold interests as passive investors in other investment vehicles (including venture capital funds, hedge funds, real estate funds, private equity funds and other similar investment vehicles), which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such Adviser Personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as the Funds, and there may be situations in which such investment vehicles purchase securities from, or sell securities to, a Fund. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics.

Adviser Personnel have family members that are actively involved in industries and sectors in which the Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Funds or other counterparties of the Funds and the portfolio companies. Moreover, in certain instances, the Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with or invest alongside companies that are owned by such family members or in respect of which such family members have other involvement. In most such circumstances, the Funds' Organizational Documents will not preclude Funds from undertaking any of these investment activities or transactions.

From time to time, Adviser Personnel may invest in funds or other entities managed by limited partners of a Fund, which could incentivize such Adviser Personnel to afford the limited partner preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies.

The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If Adviser Personnel have made large capital investments in or alongside the Funds, they may have conflicting interests with respect to these investments. In addition, Funds from time to time invest in securities of companies in which Adviser Personnel and other related persons of the Adviser and its affiliates have previously invested for their own accounts. Furthermore, subject to Organizational Documents, Adviser Personnel and other related persons of the Adviser and its affiliates from time to time invest for their own accounts in securities of companies in which the Funds have previously invested. While the significant interests of the Adviser Personnel generally align the interests of such persons with the Funds, such persons may have differing interests from a Fund with respect to such investments (for example, with respect to the availability and timing of liquidity).

Certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies. However, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses since other mitigating factors may prevail over cost.

**Related Services.** As described in Item 5 above, the Adviser (and its employees) from time to time perform services for, and receive Portfolio Company Fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Advisory Fees or Carried Interest paid by the Funds to the Adviser. Certain circumstances (such as the occurrence of an initial public offering) may allow for the acceleration of the payment of such Portfolio Company Fees. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and their investors, on the other, because the amounts of these fees may be material, and the Funds and their investors generally do not have a direct interest in these fees (except with respect to the Advisory Fee reduction discussed below). The Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt by the Adviser of Portfolio Company Fees in connection with such Fund or its investments (subject to the exception set out under "Portfolio Advisors" below). The amount and nature of this reduction

varies from Fund to Fund and is set forth in the Governing Documents of each applicable Fund. Only that portion of such Portfolio Company Fees allocable to the Fund (and to fee-paying investors within a Fund) will reduce the Advisory Fee as described above. Portfolio Company Fees are allocated pro rata among a Fund and other coinvestment parties that coinvested or proposed to coinvest with such Fund based on the capital the Fund and each such other coinvestment party has invested or proposed to invest in the portfolio company or proposed portfolio company. In some cases, with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

Consistent with the applicable Funds' Governing Documents, the Adviser is permitted to incur expenses, and a portfolio company will reimburse the Adviser for such expenses (including, without limitation, travel expenses, which typically include expenses for first or business class or, under limited circumstances, chartered travel, private car travel, as well as lodging and accommodations, meals, entertainment and other out-of-pocket costs and expenses in connection with the Adviser's performance of services for such portfolio company, which include amounts paid to consultants, law firms, accountants or other advisors). Such reimbursements are not subject to the Advisory Fee reduction arrangements described above. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and their investors, on the other, because the amounts of this compensation and these reimbursements may be material, and the Funds and their investors generally do not have a direct interest in this compensation and these reimbursements.

The Adviser determines the amount of these Portfolio Company Fees and reimbursements in its own discretion, subject to agreements with sellers, buyers and management teams, the board of directors of or lenders to portfolio companies and/or third-party coinvestors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described above) be disclosed to investors in the Funds.

*Portfolio Advisors.* As discussed in Item 5 above, from time to time, Portfolio Advisors are engaged to provide services to certain portfolio companies, including advisory or consulting services and serving in interim management positions or as members of the boards of directors of portfolio companies and, from time to time, also provide "front office" functions with respect to a Fund, such as sourcing or other investment-related functions ("Portfolio Advisor Services"). Portfolio Advisors typically receive stock options or other equity and/or management, director, consulting, advisory and other similar fees and compensation from portfolio companies or prospective portfolio companies (including, without limitation, a retainer, fees based on an hourly/daily/weekly rate, transaction fees in connection with the investment in or sale of a portfolio company, and profits or equity interests at the portfolio company or other incentive based compensation), a success fee (in the form of cash or equity) based on pre-determined targets or milestones, as well as receive expense reimbursement from Funds or portfolio companies. Such compensation or reimbursements and related expenses, including travel costs, temporary, semi-permanent or permanent housing or relocation costs and any applicable overhead, such as accounting, network, communications, administration, office space and other support benefits received by an individual in his or her capacity as a Portfolio Advisor will not be considered Portfolio Company Fees and will not offset the Advisory Fee as described in "*Portfolio Company Fees*" above. In addition, a Portfolio Advisor may from time to time (i) invest directly or indirectly in one or more portfolio companies, in some cases regardless of whether the Portfolio Advisor is involved or participates in the management of such portfolio company; (ii) invest in the Funds on a reduced or no fee basis; and/or (iii) participate in a portion of the Carried Interest distributions received by the Adviser.

The determination of whether a service is a Portfolio Advisor Service will be made by the relevant general partner, in its sole discretion. Compensation, fees and expenses of the Portfolio Advisor ("Portfolio Advisor Expenses") may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Portfolio Advisors (directly or indirectly) are providing services with respect to the



Funds and/or portfolio companies, such Portfolio Advisor Expenses will be allocated among the Funds and/or portfolio companies as determined by the general partner or Adviser, as applicable in a fair and equitable manner. The general partner's determination as to whether a service is a Portfolio Advisor Service, the categorization of any fees and expenses (e.g., as Portfolio Advisor Expenses) and the allocation of such fees and expenses will be binding on the Fund and its investors. Certain Portfolio Advisors may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. In addition, a Portfolio Advisor's role may evolve over time, which may shift the burden of compensation for such persons from the Adviser to a Fund and/or its portfolio companies.

Although the use of Portfolio Advisors and allocation of Portfolio Advisor Expenses paid to them may subject the Adviser and its affiliates to potential conflicts of interest, the Adviser believes any such potential conflicts of interest are mitigated by the expected benefits provided by Portfolio Advisors to the portfolio companies (and, in turn, the relevant Fund(s)).

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

*Conflicts with Portfolio Companies.* Certain officers and employees of the Adviser serve as officers and directors of, or observers on boards with respect to, certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of the Adviser and such individual's duties as a director or officer of such portfolio company. In addition, to the extent an officer or employee serves as a director on the board of more than one portfolio company, such officer's or employee's fiduciary duties among the two portfolio companies may create a conflict of interest.

Decisions made by a director may subject the Adviser, its affiliate or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify the Adviser and its partners, principals and employees from such claims.

In addition, the employees of the Adviser serving as directors may make decisions for a portfolio company that negatively impact the returns received by a Fund investing in the portfolio company.

From time to time, personnel of the Adviser may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such employee's employment with the Adviser. In such circumstances, any compensation or fees received by such employee or former employee are not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

In addition, the Adviser may continue to receive Portfolio Company Fees from a portfolio company after a Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group

purchasing arrangements). For certain Funds, any fees received with respect to such exited investment are not subject to the Advisory Fee offset described above, or otherwise shared with those Funds and/or investors.

Current and former officers and executives of portfolio companies may also invest in a Fund. While the Adviser believes this aligns portfolio company management teams with the best interests of a Fund, the Adviser may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor.

In addition, there may be conflicts between a portfolio company of a Fund and another portfolio company of such Fund, another Fund, a Stockbridge Fund or the Adviser. For example, the portfolio company of one Fund may be a competitor, customer or supplier of a portfolio company of another Fund. Portfolio companies of a Fund may do business with other portfolio companies of such Fund or a Stockbridge Fund. In providing advice to a portfolio company, the Adviser is not obligated to, and need not, take into consideration the interests of the other relevant portfolio companies or Funds and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company owned by another Fund. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increase its own prices or commence litigation against another portfolio company. Moreover, in any such situation one or more of such portfolio companies may agree to terms less favorable than those that may be agreed with a third party engaged in the same or substantially similar activities.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by the Adviser or Stockbridge that, although the Adviser determines to be consistent with the requirements of such Funds' Governing Documents, may not have otherwise been entered into but for the affiliation with the Adviser or Stockbridge, and which may involve fees and/or servicing payments to such portfolio companies that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser from time to time makes available to portfolio companies group procurement plans (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, technology development, and/or insurance (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, commissions or similar payments and/or discounts being paid to the Adviser, Stockbridge, their affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser, will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The Adviser may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate, as described above in "*Service Providers*".

The Adviser and Stockbridge, and their respective employees, are entitled to receive Portfolio Company Fees and other similar fees and compensation from portfolio companies for the performance of services. With the exception of fees paid to Portfolio Advisors (as discussed above), a portion of such fees, which are paid to the Adviser or such employees directly, are typically credited against the Advisory Fee payable

by a Fund, and if such portion of such fees exceeds the Advisory Fee, such excess shall be credited against the Advisory Fee payable by such Fund in subsequent periods.

Employees of the Adviser and Portfolio Advisors may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will generally reimburse the Adviser or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Any amounts paid to such persons by a portfolio company (or paid by the Adviser and reimbursed by a portfolio company) will not reduce the Advisory Fee otherwise payable to the Adviser or any Carried Interest otherwise payable to the Adviser or its affiliates.

Additionally, the Adviser's employees and Portfolio Advisors have left, and may in the future leave, the employment or engagement of the Adviser to become an officer or employee of a portfolio company. Fees or expense reimbursement from a portfolio company with respect to such personnel, who leave the employment of the Adviser to become an officer or employee of the portfolio company, will not result in any offset against the Advisory Fees payable by a Fund.

*Side Letters.* The general partner, on behalf of a Fund, is expected from time to time to enter into Side Letters with certain investors which provide such investors with additional or different rights than such investors have pursuant to the Fund's Governing Documents, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, coinvestment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to the particular investor, modification of representations, indemnification and/or liability and other obligations, veto rights and liquidity and transfer rights. As a result of such Side Letters, certain investors will receive additional rights that other investors will not receive. The general partner on behalf of a Fund will not be required to notify any or all of the other investors of any such Side Letters or any of the rights or terms or provisions thereof, nor will such general partner be required to offer such additional or different rights or terms to any or all of the other investors. The general partner, on behalf of a Fund, will enter into such Side Letters with any party as such general partner may determine in its sole discretion at any time. Other investors will have no recourse against such Fund, such Fund's general partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of a Fund impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may discourage and ultimately restrict the investments made by an applicable Fund.

*Advisory Committees.* The Adviser or general partner of a Fund, as contemplated by such Fund's Governing Documents, will seek the approval of the Fund's advisory committee with respect to valuations and may consult the Fund's advisory committee with respect to potential conflict of interest situations, and advisory committee approval will be required to resolve certain conflicts and other matters. Any such approval by an advisory committee will generally be binding upon such Fund and all investors. Although an advisory committee is intended to act as the representative of the investors, the interests of the members of such advisory committee may not be aligned with other investors. Furthermore, the members of an advisory committee cannot be expected to be experts in private equity investing, and, as a result, certain of such advisory committee's determinations may, in fact, adversely affect the performance of such Fund.

Representatives of an advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of an advisory committee.

In addition, members of one Fund's advisory committee often serve as a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests, and such advisory committee members will not typically recuse themselves from any advisory committee vote, including any vote seeking consent to conflicts of interest.

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

The Adviser, its employees and Portfolio Advisors have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points" or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being borne by the Funds, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for an Adviser personnel travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such Adviser personnel to the extent the trip also serves a personal purpose.

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

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

The Adviser may, from time to time, require, cause or invite the Funds and/or a portfolio company to make contributions to charitable initiatives, or other non-profit organizations that the Adviser believes could, directly or indirectly, enhance the value of the Funds' investments, assist in completing an acquisition of a portfolio company or other transaction (whether or not documented at the time of such acquisition or transaction) or otherwise serve a business purpose for, or be beneficial to, the Funds or their portfolio company. Such contributions could be designed to benefit employees of a portfolio company, the community in which a portfolio company operates or a charitable cause essential to, or consistent with, the business purpose of a portfolio company. In certain instances, such charitable initiatives could be sponsored by, affiliated with or related to current or former employees of the Adviser, portfolio company management teams, advisors, service providers, vendors, joint venture partners, and/or other persons or organizations associated with the Adviser, the Funds or the portfolio companies. These relationships could influence the Adviser's decision whether to require, cause or invite the Funds or the portfolio companies to make charitable contributions. Further, from time to time, such charitable contributions by the Funds or the portfolio companies could supplement or replace charitable contributions that the Adviser would have otherwise made. Also, in certain instances, the Adviser may, from time to time, select a service provider or other counterparty to the Funds or their investments based, in part, on the charitable initiatives of such person where the Adviser believes such charitable initiatives could, directly or indirectly, enhance the value of the Funds' investments or otherwise be beneficial to the portfolio companies.

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

The Adviser may represent creditors or debtors prior to or in proceedings under Chapter 11 of the Bankruptcy Code. From time to time, the Adviser may serve as advisor to creditor or equity committees. This involvement, for which the Adviser may be compensated, may limit or preclude the flexibility that the Funds may otherwise have to make investments.

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

In addition, the Governing Documents of certain Funds permit the Adviser to restrict the information provided to certain limited partners or investors in such Funds in certain circumstances. For instance, information may be restricted in the case of limited partners that are subject to Freedom of Information Act or similar requirements. The Adviser may elect to restrict access to certain information with respect to such limited partners for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Certain employees of the Adviser provide research, trust, administrative, reporting and similar services to the current and retired Managing Directors of the Adviser and certain of their family members and estate planning vehicles, in each case with respect to personal investment activities. Such services could potentially present a conflict of interest between the Adviser and a Fund. However, the Adviser believes any potential conflicts of interest are substantially mitigated because (i) the investments are not investments that would be suitable for a Fund, (ii) the investments are reportable by the current and retired Managing Directors and subject to preclearance pursuant to the Adviser's Code of Ethics, (iii) such employees are



not involved in the provision of investment advice to a Fund and (iv) such employees generally do not exercise investment discretion with respect to such personal investment activities.

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

## **Item 12. Brokerage Practices**

The Funds invest primarily in private equity investments; however, certain of the Funds are currently invested in publicly traded securities, and the Adviser anticipates that investments in publicly traded securities will occur from time to time in the future (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, significant holdings in public companies where a Fund may obtain or seek to obtain significant influence, etc.). To meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding and selling publicly traded securities.

### **Selection of Broker-Dealers**

For each of the Funds, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek “best execution” of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser’s Best Execution Committee takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser’s Best Execution Committee, in consultation with the Adviser’s Compliance Committee and Stockbridge’s Best Execution Committee, periodically monitors broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser may also consider the quality of other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser’s principals. The Adviser may “pay up” (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer’s brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction, provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interests of a Fund. A conflict of interest may exist when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

### **Aggregation of Orders**

The Adviser or Stockbridge may aggregate (or bunch) the orders of more than one Fund (and Stockbridge Fund) for the purchase or sale of the same publicly traded security, and shared personnel of the Adviser and Stockbridge from time to time execute trades on behalf of the Funds, whether or not the Stockbridge Funds are participating in the trade. The Adviser often employs this practice because larger transactions may enable it to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser may combine orders on behalf of Funds with orders for other Funds (and Stockbridge Funds) for which it or Stockbridge has trading authority, or in which it or Stockbridge has an economic interest. In such cases, the Adviser may aggregate trade orders for publicly traded securities so that each participating Fund (and Stockbridge Fund) will receive the average price for each execution of a transaction. There may, however, be instances in which trade aggregation could result in a less favorable transaction than a particular Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more Funds will have an adverse effect on other Funds.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

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

#### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly, the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies.

The Adviser's involvement typically includes regular communication with management (e.g., weekly "flash" reports, monthly reviews, quarterly board meetings and annual budgeting sessions), participation in strategic planning sessions and industry trade shows, and frequent, informal conversations and meetings. In addition, the Adviser has created a team of individuals to provide regular oversight over and involvement in portfolio company development.

The Adviser undertakes an annual planning process during which it evaluates the Funds' investment strategies and the financial and human resources needed to execute those strategies. The process includes planning sessions of the Adviser's Managing Directors at which key topics for the coming year are discussed. The full investment staff then meets to review the macroeconomic environment, assess the Adviser's performance against its annual objectives and discuss new objectives for the coming year. Shortly

thereafter, the Adviser's Managing Directors finalize priorities and targets for the coming year and consider longer term trends affecting the Adviser's business.

## **Reporting**

Within 60-90 days following the consummation of each Fund investment in a portfolio company, the Adviser prepares and delivers to each investor in such Fund a description of such investment and the portfolio company in which it was made. Within 45 days after the end of each calendar quarter (other than a fiscal year-end), the Adviser typically prepares and delivers to each applicable Fund investor quarterly financial statements, including fair value of the Fund's investments. After the end of each fiscal year, the Adviser causes an audit of the financial statements of each Fund to be made by an independent public accountant of nationally recognized status. A copy of such audit is delivered to each such investor, generally within 90 days (but in no event later than 120 days) after the end of each of such Fund's fiscal year and includes a report on the Fund's activities during the year prepared by the relevant Fund's general partner, the Fund's general partner's good faith estimate of the fair value of the Fund's investments as of the end of such year and a statement showing the balances in each investor's capital account as of the end of such year. The Adviser may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser, Stockbridge and their employees and related persons, in certain instances, receive discounts on products and services provided by portfolio companies (including former portfolio companies) of Funds and/or the customers or suppliers of such portfolio companies.

## **Item 15. Custody**

Item 15 is not applicable to the Adviser.

## **Item 16. Investment Discretion**

The Adviser provides investment advice directly to each Fund pursuant to written Advisory Agreements with such Fund (subject to the discretion and control of the general partner of each Fund, if applicable) and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

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

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds ("Votes"). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances the Adviser determines to be appropriate at the time of the Vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's CCO, General Counsel or the relevant

Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser's Vote.

All voting decisions initially are referred to the Adviser's CCO or appropriate investment professional for a voting decision. In most cases, the CCO or investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the voting decision, the investment professional will inform the CCO of any such voting decision, and if the CCO does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If at any time any investment professional becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular Vote, he or she is required to contact the Adviser's CCO or General Counsel. If any investment professional is pressured or lobbied either from within or outside the Adviser with respect to any particular voting decision, he or she is required to contact the Adviser's General Counsel. If the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the CCO may consult as to the appropriate Vote with the Adviser's Compliance Committee, which will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The Adviser's CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by the Adviser's CCO and/or General Counsel in accordance with the Adviser's Voting Policies and Procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or Stockbridge or the Stockbridge Funds have an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser's CCO and/or General Counsel will use his, her or their best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his, her or their independent assessment of the best interests of the Funds and in accordance with the Funds' and the Adviser's contractual obligations.

Where the Adviser's General Counsel or Compliance Committee deems appropriate in his, her or its sole discretion, unaffiliated third parties may be used to help resolve conflicts or to otherwise assist the Adviser in fulfilling all or part of its voting obligations. In this regard, the Adviser can retain independent fiduciaries, consultants or professionals to assist with voting decisions and/or to which voting and/or consent powers may be delegated in accordance with its proxy voting policies and procedures.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client upon written request to: [Compliance@berkshirepartners.com](mailto:Compliance@berkshirepartners.com).

## **Item 18. Financial Information**

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to clients. Further, the Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

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

Item 19 is not applicable to the Adviser.