

Form ADV Part 2A: FIRM BROCHURE

KAINOS (TX) CAPITAL LP



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This brochure (the “Brochure”) provides information about the qualifications and business practices of Kainos (TX) Capital LP (“Kainos,” “us,” “we,” and “our”). If you have any questions about the contents of this brochure, please contact William G. Neisel at 214-740-7350. 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.

Kainos is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about us is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since our last annual Brochure dated March 26, 2021, Kainos has closed on a new fund, Kainos Capital Partners III LP.

Kainos routinely makes changes to its Brochure to improve and clarify the descriptions of its business practices and compliance procedures or in response to evolving industry and Firm practices. In this year's filing, the following items have been updated:

- Item 4: updated to reflect discretionary assets under management as of December 31, 2021;
- Item 5: updated to clarify certain fees and expenses with regard to the new fund; and
- Item 8: updated description of risk factors with regard to the new fund.

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Item 4 – Advisory Business

Firm Description

Kainos (TX) Capital LP (together with its fund general partners, unless otherwise specified, “Kainos,” “we” or the “Firm”), is a middle market private equity firm based in Dallas, Texas that provides investment advisory services to its clients, which are private funds exempt from registration under the Investment Company Act of 1940, as amended (“Investment Company Act”). Kainos invests in the food, beverage and consumer sectors with a focus on manufacturers and marketers of food products, branded or private label food and consumer product companies, consumer products in the household and personal care industries and over-the-counter health and nutritional product sectors.

Advisory Business

Kainos acts as the investment manager for multiple private funds, including executive funds and co-investment funds referred to throughout this Brochure as “Funds.” Each Fund is managed by a general partner (“General Partner”), which has the authority to make investment decisions on behalf of its Fund. For a complete list of Kainos’ Funds and General Partners, please see the portion of Kainos’ Form ADV Part 1, Schedule D, captioned “Private Fund Reporting” at Section 7.A. and 7.B.(1).

The Funds generally seek substantial long-term capital appreciation by making privately negotiated equity investments in lower to middle-market sized food and consumer products companies primarily headquartered in North America. We seek to invest in buyouts and recapitalizations of privately held companies and non-core subsidiaries of larger companies, as well as in companies requiring growth capital. Kainos generally makes control investments or investments where we exercise influence over a company’s management and strategic direction.

Advisory Services

Kainos’ investment advisory services provided to its Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately achieving dispositions of such investments. The Funds generally invest through privately negotiated transactions in operating companies, referred to as “portfolio companies.” Each portfolio company has its own independent management team responsible for managing its day-to-day operations, although the senior principals or other personnel of Kainos, as well as affiliates or third parties appointed by us, will generally serve on such portfolio companies’ respective boards of directors or managers or otherwise act to influence control over the management. In addition, in some cases, we will more directly influence the day-to-day management of the company by recruiting certain individuals in various leadership roles, such as chief executive officer, chief operating officer, chief financial officer or in other roles. Investments are made predominantly in nonpublic companies, although investments in public companies are permitted under certain circumstances.

Kainos provides discretionary investment advice solely to the Funds, subject to the discretion and control of the General Partners, and not individually to the underlying investors. Services are provided to the Funds in accordance with their relevant private placement or offering memorandum, investment advisory agreements, limited partnership agreement, subscription documents, side letter agreements or other organizational agreements and governing documents (together, the “Governing Documents”) and investors determine the suitability of an investment in a Fund based on, among other things, the Governing Documents.

Kainos does not tailor its advisory services to the individual needs of investors in its Funds; Kainos’ investment advice and authority is tailored to the investment objective of each Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund. We do not seek or require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Investors in the Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Fund Governing Documents. In accordance with industry common practice, Kainos has entered into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing, a Fund’s Governing Documents. Examples of side letter provisions include, for example, co-investment preferences, amendment restrictions, advisory board membership, investment structuring considerations, notifications, certifications and reporting, among others. These rights, benefits or privileges are not made available to all investors nor are they required to be disclosed to all investors, consistent with general market practice. Side letters are negotiated at the time of the relevant investor’s commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors.

Principal Owners/Ownership Structure

Founded in 2011, the Firm is owned and managed by Messrs. Andrew S. Rosen (Managing Partner), Robert W. Sperry, Daniel J. Hopkin, Kevin E. Elliott and Jay J. Desai (collectively, our “Partners”). For more information about Kainos’ owners and executive officers, please see Kainos’ Form ADV Part 1, Schedule A and Schedule B.

Regulatory Assets Under Management

As of December 31, 2021, we managed regulatory assets under management of \$2,414,280,283, all on a discretionary basis. We do not manage Fund assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Kainos and its affiliated General Partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, Carried Interest, additional compensation in connection with management services performed for the portfolio companies of the Funds and reimbursements from portfolio companies for certain expenses advanced on their behalf. Differences exist from Fund to Fund, and certain Funds do not charge certain fees, compensation or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees, compensation and expenses of the Funds. Investors should refer to the Governing Documents of the applicable Fund for a complete understanding of how we are compensated for our advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

Management Fees

The Fund management fee (“Management Fee”) is charged at a maximum annual rate of 1.9% of the capital commitments of any investor and is generally payable quarterly in advance (or at a later date at the Firm’s discretion) and pro-rated for any period that is less than a full calendar quarter. Generally, as described in the relevant Governing Documents, Management Fees are initially calculated based on aggregate investor commitments. Thereafter, Management Fees generally are calculated based on the cost of the aggregate investor funded commitments, subject to various other factors. All Management Fees were negotiated with the Fund’s investors during the fundraising period of the applicable Fund and generally are not subject to negotiation thereafter. Generally, investors participating in a subsequent closing after the initial closing of a Fund are responsible for paying the Management Fee as of the date of the initial closing of such Fund, plus interest, as applicable.

The Management Fees, other fees and carried interest distributions are generally subject to waiver or reduction by us in our sole discretion, both voluntarily and on a negotiated basis with selected Funds and selected investors in each Fund, and as described more fully in each Fund’s Governing Documents. At times, fees differ from one Fund to another, as well as among investors in the same Fund. In particular, some Funds do not pay Management Fees and the Management Fee for certain investors in the Funds who are current or former employees of Kainos or its affiliates, or family members of such current or former employees, are subject to waiver at our discretion (although such investors generally pay their pro rata share of certain Fund expenses).

The Management Fees paid by a Fund are generally reduced by (i) the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, (ii) fees incurred by Kainos in connection with the organization of such Fund that exceed a limit specified in such Fund’s Governing Documents and (iii) a designated amount of the professional services fees, break-up fees, monitoring fees, directors’ fees and other similar fees received in connection with the activities of the Funds, the amount of which is paid by the Funds (directly, or indirectly by the portfolio companies) and determined by Kainos on a transaction-by-transaction basis, subject to each Fund’s Governing Documents.

The following fees and expenses do not offset Management Fees, in each case as applicable: (i) such fees received by Operating Advisors or any companies (whether affiliated or unaffiliated) engaged by or in connection with such Operating Advisors; (ii) fees or expenses borne by a Fund directly; (iii) reimbursements from a portfolio company; (iv) broken deal expenses; (v) fees or expenses received by members of the Firm for activities outside of the management of the Funds' portfolio companies or otherwise exempted by the relevant advisory committee or Governing Documents; (vi) profits interests or compensation to an affiliate that was entered into prior to such person becoming an affiliate of Kainos, regardless of when the interests, compensation or amounts crystallize or vest; or (vii) any portfolio company directors' or board fees paid by a former portfolio company to a Kainos employee who remains on the company's board of directors following the Fund's disposition of its investment in the company. Any supplemental fees with respect to an investment or potential investment (including a transaction not consummated) are allocated to a Fund (and offset against the Management Fee as described above) only to the extent of the Fund's relative ownership (or anticipated ownership) of such investment or potential investment on a fully diluted basis, except as otherwise set forth in the Governing Documents. Accordingly, a Fund will, in most such cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such supplemental fees and not the portion attributable to any other person that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment. Any such reduction of a Fund's Management Fee is only applicable to the extent a Management Fee is payable by a Fund currently or in the future. As some Funds do not pay Management Fees, any such reduction will not benefit such Fund. Thus, in the event a Fund does not pay a Management Fee or does not have an offset provision requiring the reduction of Management Fees, Kainos will retain the credited offset portion of supplemental fees allocable to these Funds without reduction.

We deduct Management Fees from the account of a Fund requiring the payment of Management Fees quarterly in advance, or at a later time at Kainos' discretion.

Other Fees

As mentioned above, we sometimes receive professional service fees (including, without limitation, set-up, acquisition, commitment, recapitalization, financing and exit fees), break-up fees, monitoring fees (including, without limitation, operational assistance, consulting and advisory fees) and directors' fees (or other forms of director compensation) and other similar fees (such as options in a portfolio company) in connection with the activities of the Funds ("Other Fees"). We offset Management Fees by a certain amount of the receipt of such Other Fees as negotiated with investors in each Fund and as memorialized in each Fund's Governing Documents.

In addition, we or a Fund are on occasion reimbursed by a Fund's portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees or as members of the board of directors or similar governing body; such reimbursed expenses are generally

not included in the definition of “Other Fees” under the terms of the applicable Governing Documents, and such reimbursements are not subject to the sharing arrangements described herein. Such expenses can include, without limitation: (i) travel expenses, which can include expenses for chartered or first-class travel and meals and entertainment expenses (such expenses including, as applicable, those relating to (a) the usage of premium black car and other car services, which from time to time include waiting time and (b) social and entertainment events, including closing dinners and mementos, with portfolio company management, customers, clients, borrowers, brokers and service providers); (ii) expenses relating to training programs, meetings, conferences or other events (to the extent such programs, meetings or events are for the benefit of the portfolio company); (iii) premium meals (including outside normal business hours); (iv) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses); (v) indemnification expenses; (vi) insurance; (vii) corporate filings; (viii) certain legal expenses; (ix) similar out-of-pocket expenses; (x) consulting fees; and (xi) other consideration and expenses. In addition, to the extent a Fund or Kainos initially bears the cost of certain fees or expenses but the benefit of the related services or expense is also received by another Fund, portfolio company or future fund or portfolio company, Kainos will determine, subject to its ultimate discretion, whether to cause such other Fund or portfolio company to reimburse the initial Fund or Kainos for such fees or expenses. Reimbursement by a portfolio company of out-of-pocket expenses incurred by Kainos, a General Partner or their respective affiliates will not be offset against the Management Fee payable by the Funds. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 8 below.

We generally have discretion over whether to charge Other Fees and compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. Both (i) the monitoring, directors’, consulting and other similar fees that we receive with respect to a portfolio company and (ii) the professional service and other similar fees that we receive with respect to a portfolio company are generally determined with reference to an advisory agreement with the portfolio company and are typically agreed to at the closing of a Fund’s investment in the portfolio company. We do not accelerate monitoring fees.

On occasion, in certain circumstances (such as a portfolio company’s liquidity needs or otherwise) we determine in our discretion to waive, defer or renegotiate, in whole or in part, the amount of Other Fees received from a portfolio company. We endeavor to require the payment of such fees only to the extent permitted by the earnings or cash position of the applicable portfolio company and will defer or forego the payment of such fees if too burdensome for the portfolio company or at such time a senior credit agreement prohibits the payment of such fees. We make such determinations on a case-by-case basis and reserve the right to take different actions (or no action) with respect to similarly-situated portfolio companies.

From time to time, Kainos, a Fund or a portfolio company will (in their sole discretion), agree to pay a transaction fee, portion of the Management Fee, Carried Interest, equity grant or other fee to a third party, such as a consultant, adviser, operating advisor, finder, broker and/or investment banker. Similarly, on occasion certain members of a portfolio company management team receive additional cash and equity compensation, including bonus payments based on the applicable portfolio company meeting certain success hurdles. Such compensation indirectly reduces the proceeds available for distribution to the relevant Fund at the time of such portfolio company's sale. None of these fees or compensation offset Management Fees payable by a Fund.

Fund Expenses

Each Fund is governed by its own Governing Documents, which detail a complete description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. Each Fund will bear expenses, costs and liabilities incurred in connection with the operation of such Fund, its portfolio investments, any proposed investment or transaction considered by the Fund (whether or not consummated), and the performance by the General Partners, Kainos, the Funds and their respective affiliates of their respective obligations under the Governing Documents, including, without limitation, (i) the organization, maintenance and dissolution of persons through which investments are held (including, without limitation, alternative investment vehicles or holding vehicles), including documentation related thereto, (ii) the Management Fee, (iii) all expenses, costs and liabilities incurred in connection with originating (including fees, costs and expenses, including subscription based services, incurred in connection with tracking and monitoring deal flow and investment opportunities), identifying, evaluating, structuring, negotiating, making, monitoring, holding, any restructuring or proposed restructuring, any sale or proposed sale, other disposition or valuation of portfolio investments and temporary investments or portfolio investments and temporary investments considered for a Fund (including all broken deal expenses and any other costs incurred as a result of the investigation of a proposed transaction or investment by a Fund that is not consummated), including, but not limited to, any due diligence costs in connection therewith, reverse break-up fees, commercial lending fees, underwriting commissions and discounts, research expenses, travel expenses, legal fees, accounting fees, audit fees, investment banking fees, finders' fees, consulting fees, professional fees, appraisal fees, taxes, brokerage fees, insurance premiums and underwriting commissions incurred in connection with representation and warranty insurance, out-of-pocket expenses incurred in connection with any of the foregoing, out-of-pocket expenses incurred by consultants, advisors, or operating partners, and other expenses (including reasonable expenses for business development, travel, lodging, transportation, meals and entertainment directly related to the development and management of portfolio investments and prospective portfolio investments, to the extent not reimbursed by a third party), (iv) expenses of attending conferences in connection with the evaluation of future investments, specific sectors or industries solely to the extent that such conferences are in furtherance of a Fund's or a portfolio company's business, in each case, to the extent that such expenses are not reimbursed by a portfolio company or other third person, (v) expenses and costs that would have been allocable to co-investors had such proposed transaction or investment been consummated, if the amount allocable to such co-

investors is not paid by such persons, (vi) fees, expenses and costs incurred in connection with the preparation and circulation of drawdown notices and distribution notices (including, without limitation, fees, expenses and costs of service providers and a Fund's allocable share of expenses and costs associated with any software or online data portal used in connection with drawdown notices and distribution notices), (vii) expenses and costs incurred in connection with premiums for insurance protecting the Funds, the General Partners and any indemnified person from liabilities, including for director and officer liability and other liabilities of the General Partners and the Funds, which at the discretion of a General Partner can be a single or umbrella policy, (viii) all expenses, costs and liabilities incurred in connection with litigation (including damages), investigations or other extraordinary events and the amount of any judgments or settlements paid in connection therewith, as well as indemnity expenses, advances, and retentions or deductibles under insurance policies, (ix) subject to the Governing Documents, all claims, damages, liabilities, costs and expenses, including legal fees, to which indemnified parties may be or become subject to by reason of their activities on behalf of a Fund or otherwise relating to the Governing Documents, (x) all taxes, fees, duties and other governmental charges payable by the Funds (including interest and penalties thereon), expenses incidental to the transfer, servicing and accounting for a Fund's cash and securities, including all charges of depositories and custodians, and all expenses incurred by the tax matters representative in such capacity, as provided in the Governing Documents, and all expenses in connection with any tax filing, tax audit, investigation, settlement or review of a Fund, in each case of the foregoing, except to the extent that such amounts are (A) allocable to, or indemnifiable by, a partner and (B) actually borne or paid by such partner, (xi) expenses and costs related to the administration of a Fund or its subsidiaries, including, but not limited to, fees, expenses and costs of third-party administrators and custodians, and expenses incurred in connection with communications with investors concerning portfolio investments and a Fund's investment activities (including a Fund's allocable share of expenses and costs associated with any software or online data portal used in connection with the maintenance of a Fund's books and reporting), (xii) all expenses and costs associated with meetings of and with investors (including the annual meeting and any associated expenses related to meals, accommodations, events, entertainment, travel of employees and other similar expenses and costs related thereto), including the preparation of materials, (xiii) all fees, expenses and costs incurred in connection with an advisory committee, including meetings thereof and any reasonable travel or out-of-pocket expenses incurred by its members associated with such meetings, expenses incurred in connection with the engagement of third-party advisors, and any other expenses incurred by an advisory committee or its members in connection with the advisory committee's activities as contemplated by the Governing Documents, (xiv) brokerage commissions, custodial expenses, appraisal fees and other investment costs actually incurred in connection with portfolio investments and temporary investments, (xv) all expenses and costs of winding up or liquidating a Fund and its subsidiaries and any alternative investment vehicles or holding vehicles, (xvi) all expenses and costs incurred in connection with the maintenance of a Fund's books of account and the preparation of audited or unaudited financial statements required to implement the provisions of the Governing Documents or required by any governmental authority with jurisdiction over a Fund (including, without limitation, fees and expenses of independent auditors, accountants and counsel, the costs and

expenses of preparing and circulating the reports called for by the Governing Documents (including, without limitation, Schedules K-1 or other similar schedules) (including a Fund's allocable share of expenses and costs associated with any software or online data portal used in connection with such reporting), and any fees or imposts of a governmental authority imposed in connection with such books and records and statements), and other routine administrative fees, costs and expenses of a Fund, any alternative investment vehicle, holding vehicle, including, but not limited to, those relating to the preparation of returns, cash management expenses and insurance and legal expenses and other reports to partners, (xvii) legal, trustee, paying agent and record-keeping fees and expenses, (xviii) all expenses, costs and liabilities, including interest and fees, incurred in connection with all permitted borrowings, guarantees and credit support and other obligations, including bridge financings of the Funds or other credit arrangements (including any line of credit, loan commitment, letter of credit, or guarantee for or by the Funds or related to any portfolio investment (or any underlying asset)), including all legal, audit, accounting, consulting, appraisal and other expenses and costs incurred in negotiating, entering into, effecting, maintaining, varying or terminating any such indebtedness, bridge financing, or other credit arrangement, (xix) all expenses related to the activities contemplated by the Governing Documents in connection with any defaulting investor, (xx) expenses incurred in connection with any restructuring or amendments to the constituent documents of a Fund and related entities, including a General Partner and Kainos, to the extent necessary to implement a restructuring or amendment of the Governing Documents (but not including organizational expenses), (xxi) expenses incurred in connection with a proposed or actual purchase, sale, assignment, pledge or transfer of all or a portion of an investor's interest in a Fund or the withdrawal or termination of an investor (except to the extent allocable to or payable by, and actually borne and paid by, the applicable purchaser or investor, assignee, pledgee or transferee, as the case may be), (xxii) expenses incurred in connection with distributions to partners, (xxiii) 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 interests), (xxiv) all expenses and costs incurred in connection with any governmental or regulatory filing, notification or other regulatory requirements or obligations applicable to the Funds or any alternative investment vehicle or holding vehicle, to the extent related to a Fund, a General Partner and its affiliates (including Form PF, but excluding Form ADV), including expenses and costs 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 so reimbursed, (xxv) expenses incurred in connection with the implementation of environmental, social and governance policies in connection with the activities of a Fund or any portfolio investment or proposed investment, including due diligence and reporting, (xxvi) fees, costs and expenses of anti-money laundering or "know your customer" compliance, tax, diligence expenses or related procedures, (xxvii) fees, costs and expenses, including subscription based services, incurred in connection with obtaining sell-through, velocity, IRI or similar data regarding the performance of a retail or wholesale product in furtherance of a Fund's or a portfolio company's business, in each case, to the extent that such expenses are not reimbursed by a portfolio company or other third person and (xxviii) out-of-pocket expenses incurred in connection with the collection of any amounts due to a Fund from any person. For the avoidance of doubt, expenses will include, and a Fund shall bear, all such expenses whether incurred by, on behalf

of or in connection with any alternative investment vehicle or holding vehicle (including the formation and liquidation expenses of alternative investment vehicles and holding vehicles). Subject to the foregoing, a Fund shall not be responsible for payment of the following expenses, and such payment shall not be borne by or reimbursed by a Fund: (A) ordinary operating expenses of a General Partner or Kainos; (B) lease or other payments for a General Partner's or Kainos' office space, utilities and office equipment; and (C) salaries and benefits of their respective employees. Although Kainos does not generally utilize the services of broker-dealers to effect portfolio transactions for a Fund, 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.

Professional Fees

Kainos and its affiliates engage and retain advisers, consultants, operating advisors, and other similar professionals who are not employees of Kainos and who will, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them varies considerably. In certain cases, these professionals provide the Funds and/or Kainos with industry-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams, and help the portfolio companies improve manufacturing, procurement, financing and information technology functions. In certain instances, Kainos will have formal arrangements with these professionals (which can, but will not necessarily be, terminable upon notice by any party). Some professionals take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In other cases, the relationship will be more informal. There can be no assurance that any of the professionals will continue to serve in such role and/or continue their arrangement with Kainos and/or any portfolio company throughout the terms of the Funds.

These professionals from time to time receive direct compensation, which can include an annual fee or retainer, a finder's fee, a discretionary bonus or a success fee (in the form of cash or equity) based on pre-determined targets or milestones, directors' fees, board fees, co-investment rights, equity allocations (including stock), a profits interest, options in a portfolio company or a percentage of the Carried Interest in either a portfolio company or a Fund. Certain fees payable to such professionals associated with a particular transaction will typically be included in the closing costs payable by the applicable portfolio company. Other fees, such as board fees, are paid directly by a portfolio company. In the event such professionals provide work for a portfolio company, any such fees paid by the portfolio company (directly or indirectly) are not offset against Management Fees. The determination of the appropriate form and amount of compensation for such services takes into account a variety of factors but will ultimately be at our discretion and that of the portfolio company, as applicable.

Such professionals typically incur expenses while working with Kainos portfolio companies or potential portfolio companies, including but not limited to, the cost of travel to portfolio companies and other out-of-pocket costs, and such expenses are generally borne by the relevant portfolio company which the professional is advising, but can also be paid by the relevant Fund in the event a proposed transaction is not consummated or as provided in the relevant Governing Documents. Certain of such professionals are investors in the Funds and participate as direct co-investors in the portfolio companies in which they are involved.

None of these fees, bonuses, profits interests, other compensation or reimbursements received by such professionals are offset against Management Fees.

Co-Investment Fees and Expenses

In certain circumstances, Kainos permits certain investors and third parties to co-invest in investments alongside one or more Funds, subject to Kainos' related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements or agreements with lenders. Where a co-investment Fund is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. Since co-investments are incremental to the investment activities of a main Fund, any compensation received in connection with, related to or allocable to such co-investment and other co-investor-related compensation do not reduce the Management Fee paid by such Fund.

In the event a proposed transaction is not consummated, it is possible that no such co-investment vehicle will have been formed, and the full amount of any fees and expenses generated in the course of evaluating such investments, including out of pocket fees associated with due diligence, attorney fees, fees of other professionals and various other fees relating to such proposed but not consummated transaction ("broken deal expenses") therefore will generally be borne by the Fund(s) selected as proposed investors for such proposed transaction and not by any prospective co-investors that were to have participated in such transaction. Co-investors who commit to a transaction after a Fund signs a definitive purchase agreement will lower the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund's investors) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest. However, to the extent that such co-investors have already invested in a portfolio company through a co-investment vehicle or other special purpose vehicle in connection with such transaction (such as for a follow-on investment for the portfolio company for which the co-investment Fund or co-investment vehicle was originally created) such vehicle and/or co-investor is expected to bear its share of such broken deal expenses (which will generally be recorded at such portfolio company).

Item 6 – Performance-Based Fees and Side-By-Side Management

Kainos or its affiliates are entitled to earn a performance fee (“Carried Interest”) based on the profits of certain Funds that is deducted from the investment proceeds of the investors. Calculated based on cumulative realized gains and income only, Carried Interest is allocated to a General Partner as portfolio holdings are liquidated or otherwise monetized and is subject to a potential after-tax giveback if the respective General Partner has received excess cumulative distributions. Generally, Kainos or its affiliates (typically the Fund’s General Partner) receive Carried Interest of 20% of the profits of such a Fund, subject to one or more hurdle rates. Each Fund’s Governing Documents include further details concerning its Carried Interest, if any, which such Governing Documents are received by each investor prior to investment in such Fund. These performance fee arrangements have been structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (“Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

While not generally negotiable, the General Partners of each Fund are permitted, in their sole discretion, to waive or reduce the amount of Carried Interest for a Fund or an investor in a Fund, particularly with regard to Kainos employees, family members of such employees, and affiliates of the Firm. In addition, some Funds are not subject to performance fees.

The fact that a General Partner’s Carried Interest distributions are based on the performance of a Fund can potentially create an incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions. However, this incentive is somewhat tempered by the fact that losses will reduce such Fund’s performance and, thus, a General Partner’s Carried Interest distributions. Further, and except as otherwise set forth in the Governing Documents of each Fund, we believe that this conflict is sufficiently mitigated by: (i) certain limitations on the ability of Kainos to establish new investment funds; (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously; (iii) contractual provisions and policies and procedures setting forth investment allocation requirements; (iv) the fact that Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions (and an allocable portion of capital called for expenses) applicable to realized investments, after accounting for hurdles; (v) the fact that each General Partner has made a substantial commitment to the Funds to invest its own capital alongside the investors; and (vi) the fact that Kainos’ ability to attract future investors is tied to the performance of its investments.

Kainos manages multiple Funds with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Kainos’ allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. Although Kainos generally makes new investments for one Fund only after a predecessor Fund is substantially invested or committed, as more fully described in the applicable Fund’s Governing Documents, management of side-by-side Funds can create an incentive for the Firm or its personnel to favor a Fund or other investment vehicle

in which Kainos or an affiliate has a greater financial interest. To help minimize such conflicts of interest, Kainos allocates investment opportunities which satisfy the investment parameters of more than one Fund in accordance with Kainos' policies and procedures regarding investment allocation, applicable Governing Documents and taking into consideration certain factors, as determined in the Firm's sole discretion, which include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by Kainos. In addition to the relevant Governing Documents, Kainos has in place policies and procedures to address these conflicts which are designed to ensure that investment opportunities are allocated fairly and equitably among the Funds, in accordance with Kainos' fiduciary duties to its Funds and without consideration of Kainos' (or its affiliates' or employees') pecuniary interest. Kainos will not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any Fund. Investment allocation decisions are determined by the investment committee.

Item 7 – Types of Clients

We provide discretionary investment advice solely to private equity funds and co-investment vehicles. The Funds are not registered or required to be registered under the Investment Company Act; are not made available to the general public; their securities are not registered or required to be registered under the Securities Act of 1933, as amended; and Fund interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Kainos and/or the Funds.

Kainos does not have a minimum size for a Fund, but minimum investment commitments will, on occasion, be established for investors in the Fund. The General Partners of the Funds, subject to their sole discretion, sometimes permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

Kainos investors are sophisticated, private investors, consisting of high net worth individuals and family office vehicles, corporations, insurance companies, fund of funds vehicles, foundations and trusts and public and private pension plans. The requirements for investing in a Fund vary among the Funds and are set forth in the Governing Documents of each Fund. All Funds impose requirements that third-party investors meet certain suitability requirements, qualify as "accredited investors" under the Securities Act of 1933, qualify as "qualified clients" under the Advisers Act, are participants in an employee stock purchase plan, and/or require that investors qualify as "qualified purchasers" or "knowledgeable employees" under the Investment Company Act. Certain Funds have investors who are not qualified clients, but such investors do not pay Carried Interest to Kainos.

Kainos typically establishes a co-invest vehicle with each investment opportunity. Opportunities to participate in a co-investment vehicle arise when Kainos has the opportunity for an investment in an existing or prospective portfolio company and Kainos determines that (i) an investment requires additional capital, (ii) all or a portion of the applicable opportunity is not required to be offered to a Fund, (iii) the full investment opportunity is not appropriate for a Fund, whether due to concentration restrictions contained in the Fund's Governing Documents or otherwise, or (iv) we believe the Fund will benefit from the participation of the co-investor(s). Such determinations are based on the provisions of the applicable Governing Documents, side letter agreements, agreements with lenders and such other factors as Kainos will consider in its sole discretion, including those specified in its policies on investment allocation and co-investments. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment opportunity. Kainos' exercise of discretion in allocating co-investment opportunities often will not result in proportional allocations among such co-investors and such allocations can be more or less advantageous to some co-investors relative to other co-investors. When co-investment opportunities are permitted, it is possible that the size of the investment opportunity otherwise available to Kainos' Fund(s) will be less than it would otherwise have been without the inclusion of such co-investors.

Co-investment opportunities are made available to select Fund investors and third parties, including, without limitation, management or founders of the applicable portfolio company, co-sponsors, strategic investors, lenders, investment bankers, deal sources (including finders and consultants), other sponsors (including other private equity or venture capital firms), service providers, third-party professionals, sector experts, strategic advisors, or other persons or entities affiliated, associated or otherwise known to Kainos or its personnel. Certain service providers, including lenders and individuals who source transactions, have in the past and are expected in the future to negotiate co-investment rights or co-investment priority rights as a component of their compensation in connection with the services provided.

Kainos can cause some co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or Carried Interest (or imposing a different Management Fee or Carried Interest) on other co-investors. Some co-investors are provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a Kainos portfolio company. Positions on boards of directors or advisers of such portfolio companies provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as a Fund making the investment, with the exception of certain portfolio company management and co-investors who can sometimes retain interests in a disposed portfolio company. However, from time to time, for strategic and other reasons, a co-investor or co-investment vehicle purchases a portion of an investment from a Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or

transfer). Any such purchase from a Fund by a co-investor or co-investment vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Co-investors who commit to a transaction after a definitive purchase agreement is signed will avoid the risk of broken deal expenses or similar expenses a Fund investor may incur based on the timing of when a co-investor becomes contractually obligated to invest.

In the event Kainos is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, it is possible that a Fund will consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration limits as described in the relevant Fund Governing Documents. Thus, an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact to a Fund's overall investment returns.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Strategy

We generally seek investment opportunities in buyouts and recapitalizations of privately held companies and non-core subsidiaries of larger companies, as well as in other companies requiring growth capital, primarily headquartered in North America in the food and consumer products sector.

We focus on investing in manufacturers and marketers of food products, as well as other consumer product businesses in the household and personal care products, and over-the-counter health and nutritional products sectors. The majority of our investments comprise control positions in family-owned businesses or businesses controlled by smaller investment firms where the business has grown to such a point that it outstrips the resources and capabilities of those families or firms. In addition, dialogues with the larger food and consumer companies who are evaluating their portfolios for possible divestitures generally provide potential investment opportunities.

We generally seek profitable, growing, middle-market companies with EBITDA between \$10 and \$80 million, where we can invest, on average, between \$50 to \$150 million of equity per transaction, and offer co-investment opportunities to the investors as well as other third-party investors.

Change Capital and Risk Management

As part of the underwriting process for investments, we seek to identify initiatives that can be implemented to increase the sales and profitability of each company as well as make the business more strategically relevant, such that upon exit of the investment it will be more attractive to trade buyers, financial buyers willing to pay a strategic price or the public equity markets. These initiatives can include strengthening the existing management team, expanding the manufacturing and sales capabilities to fully capitalize on market opportunities, increasing the efficiency and profitability by

eliminating wasteful spending as well as implementing cost reduction techniques such as lean manufacturing, developing new products and sales channels to grow revenues, and looking at complementary acquisitions that leverage the core infrastructure of the business or expand its product capabilities.

Key elements of our risk management process include: (i) control investing; (ii) purchase price discipline; (iii) prudent use of leverage; and (iv) exit management. The majority of our investments are in control positions as opposed to minority stakes. Purchase price discipline begins with the due diligence and underwriting of each investment opportunity and a disciplined approach to purchase price multiples. We do not seek to maximize the total leverage in each investment, but instead endeavor to appropriately apply leverage that is not expected to unduly burden the resources of the business nor hinder the ability to implement identified initiatives. We endeavor to work closely with company management to identify and execute value-added initiatives and projects that can be implemented within the relevant investment time horizon, with an exit strategy that coincides with the completion of the strategies employed with each particular investment.

Company Characteristics

We generally invest as a control investor in the food and consumer products sectors, where we have experience and expertise. We seek to invest in companies with growth prospects supported by enduring trends, such as convenience, product freshness, consumer value and balanced nutrition, and avoid fads that lack a track record of sustainability. We look for companies that have high quality and great tasting products, as these are product attributes that consumers are typically unwilling to compromise on, despite what health or cost benefits they perceive. Additional attributes of companies that we seek include:

- On-trend with evolving consumer preferences;
- Attractive category dynamics;
- Leading position in the categories they serve;
- Products offer attractive relative value to the retailer, foodservice operator and consumer
- Potential for new product innovation;
- Sufficient scale to distribute products on a super-regional or national scale;
- Ability to act as a platform for future acquisition opportunities; and
- Undermanaged or underappreciated element that can be exploited with the ability to be strategically relevant upon exit to a trade buyer, a financial buyer willing to pay a strategic price or the public markets.

Ongoing Evaluation of Strategy and Exit Opportunities

Decisions regarding exit timing and methods are based principally on expectations regarding a portfolio company's future operations, industry trends, and capital market conditions. An exit can be appropriate if: (i) the operating strategy has been largely completed; (ii) the objectives outlined in the

operating strategy are no longer relevant; (iii) the markets are willing to pay a premium multiple for the company; or (iv) the risk or resources of a continued hold exceed the upside incremental value.

Risks

Private equity investing involves significant risks that the Funds and their investors should be prepared to bear. Investors should be prepared to bear a complete loss of their investment. Also, investing in the Funds involve significant risks relating both to the types of investments contemplated and our ability to achieve the investment objectives. The past performance of any investment vehicle managed by the Firm is not an indication of any Fund's potential future performance. The discussion below of risks associated with private equity investments does not purport to be an exhaustive list of all risks associated with an investment in the Funds. Applicable risk factors, including potential conflicts of interest, are more fully described in each Fund's Governing Documents. Different or new risks not addressed below are likely to arise in the future and, therefore, the following list is not intended to be exhaustive.

- *General Economic Conditions.* Changes in general global, regional and U.S. economic and geopolitical conditions can at times be expected to affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets will sometimes affect the market in which the Funds makes portfolio investments or the value and number of portfolio investments made by the Funds or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced in the years following 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, and the market changes that have resulted and can continue to result from the spread of the novel coronavirus ("COVID-19"), will sometimes affect the Funds' ability to make portfolio investments, the value or number of portfolio investments held by the Funds or the Funds' ability to dispose of portfolio investments. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of portfolio companies. Tariffs and other trade restrictions imposed by the U.S. government and any further similar changes in U.S. trade policy have triggered some, and could trigger additional, retaliatory actions by affected countries, possibly resulting in "trade wars." The impact of subsequent or anticipated further changes by the Biden administration are unclear at this point. At this time, it is unknown whether and to what extent additional new legislation will be passed into law, pending or new regulatory proposals will be adopted, international trade agreements will be negotiated, or the effect that any such action would have, either positively or negatively, on the Funds or their portfolio companies. Portfolio companies can be expected to be sensitive to the performance of the overall economy. Moreover, a serious pandemic, natural disaster, armed conflict, threats of terrorism, terrorist attacks and the impact of military or other action could severely disrupt global, national and/or regional economies. A resulting negative impact on economic fundamentals and

consumer and business confidence can often negatively impact market value, increase market volatility and reduce liquidity, all of which could have an adverse effect on the performance of portfolio companies, the Funds' returns and the Funds' ability to make and/or dispose of portfolio companies. No assurance can be given as to the effect of these events on the portfolio companies or the Funds' investment objectives.

- *Risk of Loss of Capital.* Investing in securities involves the risk of loss of capital. While we believe that our investment processes, strategy and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve each Fund's investment objectives or that we will be successful.
- *Public Health Risk.* The Funds could be adversely affected by the effects of a widespread outbreak of contagious disease, such as the recent outbreak of COVID-19. Public health crises can develop rapidly and unpredictably, which can prevent governments, asset managers, companies or others (including Kainos, the Funds or the portfolio companies) from taking timely or effective steps to mitigate or reduce any adverse impacts to the Funds and/or the portfolio companies. The extent and duration of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time, including new information which could emerge concerning the severity of COVID-19 and containment efforts.

Any outbreak of contagious diseases and other adverse public health developments, together with any resulting disruptions or restrictions on travel, quarantines or "stay-at-home" orders, social distancing policies and/or quarantines imposed or recommended by the governments of the jurisdictions where Kainos, the Funds and/or their portfolio companies are based (together, the "Isolation Measures"), could have a material and adverse effect on the Funds and their portfolio companies, including by disrupting or otherwise adversely affecting the human capital, business operations or financial resources of Kainos, the Funds, the portfolio companies, or their respective service providers (which could, in turn, adversely impact the ability of such service providers to fully support the administration and operations of Kainos, the Funds or the portfolio companies).

In addition, a significant outbreak of contagious diseases in the human population, and any containment or other remedial measures imposed (including Isolation Measures), can result in a widespread health crisis that could severely disrupt global, national and/or regional economies and financial markets and cause an economic downturn that could adversely affect the performance of the Funds and their portfolio companies. For example, the risk of further spreading of COVID-19 has led to significant uncertainty and extreme volatility in the financial markets, including those leading to the automatic suspension of trading on U.S. stock exchanges. Although the long-term economic fallout of COVID-19 is difficult to predict, it is likely to continue to contribute to market volatility and lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which can reduce investment activity more generally and materially and adversely affect the Funds and their portfolio companies. The applicability, or lack thereof, of force majeure provisions could also come into question in

connection with contracts that the Funds and their portfolio companies are permitted to enter into, which could ultimately work to their detriment. To the extent an epidemic, including COVID-19, is present in jurisdictions in which Kainos has offices or other operations or investments, it could affect the ability of Kainos to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the Funds' investment strategy and objectives.

- *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. In addition, 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.

Additionally, the Funds or portfolio companies could 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, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some force majeure events can adversely affect the ability of a party, including the Funds, a portfolio company or a counterparty to the Funds or a portfolio company to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, the Funds or a portfolio company can be a party to a contract which does not provide a remedy in favor of the Funds or such portfolio company if a force majeure event occurs. In this event, the Funds or such portfolio company will often be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it potentially might not receive some or all of the benefits to which it is entitled under such contract. Such a circumstance can cause a Fund or such portfolio company to suffer economic loss, and such loss can be exaggerated if a force majeure event subsists for an extended period of time.

- *Highly Competitive Market for Investment Opportunities.* The success of the Funds depends, in large part, on the availability of a sufficient number of investment opportunities that fall within each Fund's investment objectives and the ability of Kainos to identify, negotiate, close, manage and exit those investment opportunities. The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty, especially with respect to timing. There can be no assurance that Kainos will be able to locate and complete investments which enable the Funds to invest all of their committed capital in opportunities that satisfy the Funds' investment objectives or realize the value of these investments.

The Funds will compete for the right to make portfolio investments with an ever-increasing number of other parties, including other consortia, companies and other private investment funds, as well as individuals, financial institutions and other institutions, some of which can have greater resources than the Funds. As a result of such competition, a Fund could have difficulty in making

certain investments or, alternatively, a Fund could be required to make portfolio investments on economic terms less favorable than anticipated. If a Fund fails to make new portfolio investments or makes portfolio investments on less favorable terms, such Fund's financial condition and results of operations could be materially and adversely affected. Investors will be required to pay the Management Fee based on aggregate commitments during the investment period irrespective of the amount of commitments actually used to make portfolio investments.

- *Investments in Food and Consumer Sectors.* All or a significant portion of the portfolio companies are expected to be in the food and consumer sectors. Such concentration can involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The food and consumer sectors are challenged by factors including, but not limited to, rapidly changing market conditions and/or participants, new competing products and/or improvements in existing products, changing customer preferences, and food safety and food borne pathogens. The portfolio companies will compete in this volatile environment. There is no assurance that products sold by portfolio companies will not be rendered obsolete or adversely affected by competing products or other challenges. Instability, fluctuation or an overall decline within the food and consumer sectors will likely not be balanced by investments in other industries not so affected. In the event that the overall food and/or consumer sectors decline, returns to investors will likely decrease. In addition, domestic and international regulation, including federal, state, provincial and local governmental policies implemented in response to pandemics, epidemics or other health crises, can dramatically affect the business environment faced by new, emerging, and established businesses. Such regulatory actions could have a material adverse effect on a portfolio company or a market in which the Funds have invested and could cause the Funds to incur a substantial or total loss of its investment.

In addition, the food and consumer sectors are highly competitive. There are multiple brands, including private label, competing for shelf space and sales, with competition based primarily on product quality, convenience, price, trade promotion, consumer promotion, customer service, and the ability to identify and satisfy emerging consumer preferences. A portfolio company can compete with companies of varying sizes, including divisions or subsidiaries of larger companies. Many of these competitors have multiple product lines, have substantially greater financial and other resources available to them, can have lower fixed costs and can be substantially less leveraged than a portfolio company. A portfolio company can potentially not be able to compete successfully with these companies. Competitive pressures or other factors could cause a portfolio company to lose market share, which will sometimes require a portfolio company to lower prices, increase marketing and advertising expenditures or increase the use of discounting or promotional campaigns, each of which would adversely affect a portfolio company's margins and could reduce its operating results and profitability.

- *Changes in Consumer Tastes, Preferences or Spending.* The operating results of the portfolio companies can be materially adversely affected by changes in consumer tastes. The success of some of the portfolio companies can depend, in part, on the ability of such portfolio companies to predict,

identify and interpret the product packaging preferences, tastes, eating habits, dietary habits and lifestyle preferences of consumers and to offer products that appeal to consumer tastes and preferences. Consumer tastes and preferences will change from time to time and can be affected by a number of different trends and other factors that are beyond such portfolio company's control. If a portfolio company fails to anticipate, identify or react to such changes and trends, or to introduce new and improved products on a timely basis, such portfolio company will sometimes experience reduced demand for its products, which could materially adversely affect such portfolio company's business, financial condition and operating results and could cause the respective Fund to incur a substantial or total loss of its investment.

In addition, given the variety of backgrounds and identities of consumers in its consumer base, a portfolio company generally must offer a sufficient array of products to satisfy the broad spectrum of consumer preferences. If a portfolio company does not succeed in offering products that consumers want to buy, its sales and market share will decrease, resulting in reduced profitability. As such, a portfolio company generally must be successful in developing innovative products across a multitude of product categories. There are inherent marketplace risks associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance.

- *Changes in Food Costs and Availability.* The success of some of the portfolio companies depends in part on the ability to anticipate and react to changes in food and supply costs and availability. The food sector is susceptible to increases in food costs as a result of factors such as general economic conditions, market changes, increased competition, general risk of inflation, exchange rate fluctuations, seasonal fluctuations, shortages or interruptions, weather conditions, changes in global climates, global demand, food safety concerns, generalized infectious diseases, changes in law or policy, declines in fertile or arable lands, product recalls and government regulations. In particular, food deflation could reduce the attractiveness of food and related consumer product offerings relative to competing products and thus reduce sales growth and overall sales experienced by the portfolio companies, while food inflation, particularly periods of rapid inflation, could reduce portfolio companies' profitability as there could be a lag between the time of the price increase and the time at which such portfolio companies are able to increase product offering prices. Any such changes to a portfolio company's available food and related consumer products could materially adversely affect such portfolio company's business, financial condition and operating results, and thus the returns experienced by the respective Fund.
- *Disruption to Supply or Supply Chains of Ingredients.* Some of the portfolio companies' suppliers depend on a variety of other local, regional, national and international suppliers. The portfolio companies will generally rely on suppliers and supply chains to supply ingredients and other food and consumer products in a timely and safe manner. No safety or quality measures can eliminate the possibility that suppliers could potentially provide portfolio companies with defective or out-of-specification products against which regulators can take action or which could subject a portfolio company to litigation or require a recall. Suppliers can potentially provide food that is

or may be unsafe or food that is improperly labeled. In addition to a negative customer experience, a portfolio company could face possible seizure or recall of its products and the imposition of civil or criminal sanctions if such portfolio company incorporates a defective or out-of-specification item into its products.

- *Labor Market Challenges.* The operations of many food and related consumer products companies are labor-intensive and can require a substantial number of personnel. A failure by any of the portfolio companies to retain stable and dedicated labor can often lead to disruption to or delay in the services provided to end customers. There has been an overall tightening in the labor market, and the labor market has become increasingly competitive. In addition, the cost of labor has increased due to increases in salary, social benefits provided by operating companies, and employee headcounts at operating companies. Adverse changes to existing laws and regulations applicable to employment of immigrants, enforcement requirements or practices under such laws and regulations, or the prospects or rumors of any of the foregoing, even if no violations exist, could negatively impact the availability and cost of personnel and labor to certain of the Funds' portfolio companies. As a result, such portfolio companies could experience turnover of employees on short or no notice, which could result in manufacturing and other delays. Such portfolio companies can also experience difficulty attracting or hiring new employees in a timely manner, which delays could materially adversely affect the applicable portfolio companies' respective competitiveness and profitability.
- *Wage Increases.* Significant additional federal, state or local government-imposed increases on minimum wages, or significant wage increases offered by large employers in geographies in which the portfolio companies operate, could adversely affect the expense burdens of portfolio companies and in turn have a material adverse effect on the Funds' returns.
- *Increased Distribution and Logistics Costs.* Distribution and logistics costs, including energy and fuel costs, have historically fluctuated significantly over time, particularly in connection with oil prices, and increases in such costs could result in reduced profits for portfolio companies. In addition, certain factors affecting distribution costs are controlled by third-party carriers. To the extent that the market price for fuel or freight or the number or availability of carriers fluctuates, distribution costs could be affected. Furthermore, temporary or long-term disruptions of transportation services due to weather-related problems, strikes, pandemics, epidemics, or other health crises or other events could impair the ability of a portfolio company to supply products affordably and in a timely manner or at all. Failure to deliver food products promptly could also result in inventory spoilage. These factors could impact a portfolio company's commercial reputation and result in customers reducing their orders or ceasing to order products from such portfolio company. Any increase in the cost of transportation, and any disruption in transportation, could have a material adverse effect on a portfolio company's business, financial condition and results of operations, which could materially and adversely affect a Fund's returns.

- Food Safety.* Concerns about food safety and foodborne illnesses are an inherent risk of investing in the food sector, which could have an adverse effect on the portfolio companies in such sector. There can be no guarantee that a portfolio company's supply chain and food safety controls and training will be fully effective in preventing all food safety issues, including any occurrences of foodborne illnesses such as listeria, Cyclospora, norovirus, salmonella, E. coli, botulism and hepatitis A, among others. Furthermore, a portfolio company will often rely on third-party vendors or transporters, making it difficult to monitor food safety compliance. New illnesses resistant to a portfolio company's precautions can develop in the future, or diseases with long incubation periods could arise, which could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of a portfolio company's stores or markets or related to food products a portfolio company sells could negatively affect sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined that the illness was wrongly attributed to a portfolio company. The successful assertion of product liability claims against a portfolio company could result in potentially significant monetary damages, divert management resources and require such portfolio company to make significant payments and incur substantial legal expenses. Even if a product liability claim is not successfully pursued to judgment by a claimant, such portfolio company will likely still incur substantial legal expenses defending against such a claim and such portfolio company's brand image and reputation would suffer. Finally, serious product quality concerns could result in governmental action against such portfolio company or its suppliers, which, among other things, could result in mandatory recalls of products, the suspension of production or distribution of products, loss of certain licenses, or other governmental penalties, including possible criminal liability. The occurrence of such an incident at or otherwise in connection with a portfolio company, or negative publicity or public speculation about such an incident, could materially adversely affect such portfolio company's business, financial condition or results of operations.
- Government Regulation of Food Sector.* The food sector is subject to extensive federal, state and local regulations. Food processing facilities and products are subject to inspection by the U.S. Department of Agriculture ("USDA"), the U.S. Food and Drug Administration ("FDA") and various state and local health and agricultural agencies. Applicable statutes and regulations governing food products include rules for labeling the content of specific types of foods, the nutritional value of that food and its serving size, as well as rules that protect against contamination of products by food-borne pathogens. In addition, the Federal Food, Drug, and Cosmetic Act, which governs the shipment of foods in interstate commerce, generally does not distinguish between intentional and unknowing, non-negligent violations of the law's requirements.

The business operations of the portfolio companies, including the production, transportation, storage, distribution, sale, display, advertising, marketing, labeling, quality and the safety of products and ingredients, are subject to various laws and regulations. Furthermore, the portfolio companies' marketing and customer engagement activities are subject to communications privacy laws such as the federal Telephone Consumer Protection Act and other privacy laws regulating the collection, use, retention, disclosure, transfer and processing of personal information, such as

the California Consumer Protection Act (“CCPA”), which was recently significantly modified by the California Privacy Rights Act (“CPRA”), as well as the European Union’s General Data Protection Regulation (“GDPR”), and new states are continuing to enact similar laws. These laws and regulations are administered by federal, state and local government agencies in the United States, as well as government entities and agencies outside the United States in markets where portfolio companies’ products are manufactured, distributed or sold. In the United States, portfolio companies’ activities are subject to regulation by various federal government agencies, including the Food and Drug Administration, U.S. Department of Agriculture, Federal Trade Commission, Department of Labor, Department of Commerce, and Environmental Protection Agency, Occupational Safety and Health Administration, as well as various state and local agencies, and state attorneys general. Kainos relies on legal and operational compliance programs, as well as in-house and outside counsel, to guide its businesses in complying with applicable laws and regulations of the countries in which it does business. Kainos could be subjected to penalties and other consequences for noncompliance, including changing some portions of its business practices. The impact of new laws, regulations and policies and the related interpretations, as well as changes in enforcement practices or regulatory scrutiny, generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices can potentially require extensive system and operational changes, could be difficult to implement, could increase its operating costs or require significant capital expenditures, or could adversely impact the cost or attractiveness of the products or services it offers, or result in adverse publicity and harm Kainos’ reputation or that of its portfolio companies.

There can be no guarantee that existing laws and regulations will not be revised or that new, more restrictive laws and regulations will not be adopted or become applicable to a portfolio company. Furthermore, certain recently promulgated FDA regulations, such as the requirements regarding food defense, are not yet in effect, and it is unclear how the FDA will interpret and enforce many other recent regulations, presenting considerable future uncertainty.

- *Equity Securities.* The Funds intend to invest in common and preferred stock and other equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the 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 can be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities can cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities. The Funds can potentially experience a substantial or complete loss on individual equity securities.
- *Public Company Securities.* Subject to the limitations set forth in the Governing Documents, the Funds are permitted to hold securities traded on public markets. Investments in such securities generally involve different risks than those associated with investments in securities that are not

traded on public markets. Among those risks are (a) increased disclosure requirements, (b) greater volatility, (c) increased likelihood of shareholder litigation, (d) restrictions on timing of disposition and (e) increased compliance costs.

In the event that a Fund invests in distressed public securities, among the problems involved in such investments is that it frequently can be difficult to obtain information as to the conditions of such troubled issuers. The market prices of such securities are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such securities can sometimes be greater than normally expected. It can take a number of years for the market price of such securities to reflect their intrinsic value.

- *Debt Investments.* Subject to the limitations in the Governing Documents, the Funds are permitted to invest in debt securities, including, without limitation, higher yielding (and therefore, higher risk) debt securities. Such debt will generally be secured or unsecured and can be structurally or contractually subordinated to substantial amounts of senior indebtedness. In the event of bankruptcy or liquidation of an issuer of such securities, there could potentially not be enough proceeds to repay the holders of such securities following repayment to the holders of senior indebtedness. Moreover, such debt investments could potentially not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such 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 can reflect individual corporate developments. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, has the potential to decrease the value and liquidity of these debt securities.

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

prepayment schedules. In addition, interest rate increases generally will increase the interest carrying costs to the Funds of borrowed securities and leveraged investments.

- *Control Position.* The Funds will generally seek investment opportunities that allow the Funds to have significant influence on the management, operations and strategic direction of its portfolio companies. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, liabilities associated with pension plans, certain taxes, employment matters and other types of liability in which the limited liability characteristic of business operations can generally be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of a Fund to claims by such portfolio company, its security holders and its creditors. While Kainos intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.
- *Board Participation.* The Funds expect to be represented on the boards of directors, or similar governing body, of their portfolio companies or have its representatives serve as observers to such boards of directors, or similar governing body. Although such positions are sometimes important to the Funds' investment strategies and can enhance Kainos' ability to manage the portfolio companies, they can potentially also have the effect of impairing Kainos' ability to sell the related securities when, and upon the terms, it may otherwise desire, and has the potential to subject Kainos and the Funds 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 Kainos and their representatives from such claims.
- *Leveraged Portfolio Companies.* Certain of the portfolio companies are expected to be leveraged. While an investment in a leveraged portfolio company offers the opportunity for increased capital appreciation, and although Kainos will seek to use leverage in a manner it believes is appropriate under the then-circumstances, such a portfolio investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such portfolio company, and such portfolio company can be subject to restrictive financial and operating covenants. Such leverage could result in more serious adverse consequences to such portfolio companies (including their overall profitability or solvency) in the event these factors or events occur than would be the case for less leveraged companies. This could impair such portfolio company's ability to finance its future operations and capital needs and result in restrictive financial and operating covenants. As a result, such portfolio company's flexibility to respond to changing business and economic conditions can be limited. If such a portfolio company is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness, meet financial or other covenants, or make regular dividend payments, such portfolio company could default on its loan agreements or be forced into bankruptcy, resulting in a restructuring of such portfolio company's capital structure or liquidation, in which case the value of the portfolio investment in such portfolio company could be significantly reduced or even eliminated.

- *Terms of Co-Investments.* To the extent Kainos determines in its sole and absolute discretion that an investment opportunity that is to be offered to and executed on by a Fund exceeds the amount appropriate for such Fund (which can, in many cases, as determined by Kainos in its sole and absolute discretion, be less than the maximum concentration permitted under the Governing Documents), Kainos can, in its sole and absolute discretion, offer to one or more investors and/or third parties the ability to participate in such opportunity as a co-investor on such terms and conditions as Kainos determines.

Investors' returns with respect to co-investment opportunities can differ from or exceed investors' returns with respect to a Fund, particularly for investors in co-investment opportunities whose investment will be subject to reduced Management Fees, carry distributions or similar compensation payable to Kainos, the General Partners or their affiliates.

Subject to the conditions set forth in the Governing Documents, any co-investment opportunity offered by Kainos will be on terms and conditions determined by Kainos in its discretion.

- *Investments in Growth Businesses and Less Established Businesses.* The Funds will invest in growth companies. These companies are generally characterized by short operating histories, evolving markets, intense competition and management teams that have limited experience working together. A portfolio company will generally need to implement appropriate sales and marketing, inventory, finance, personnel, information technology, cybersecurity and other operational strategies to become and remain successful. The Funds' returns will depend upon Kainos' ability to find and invest in companies that can successfully combine these strategies where products and markets are constantly evolving. There can be no assurance that Kainos will find and invest in a sufficient number of these companies to meet investor return expectations.

In addition, a portfolio company will sometimes anticipate fast expansion of its business through organic growth and acquisitions as it seeks to grow its customer base, expand its product offerings and pursue new market opportunities. A portfolio company's operational, administrative, information technology and financial resources can sometimes be inadequate to sustain the rate of growth it plans to achieve. As a portfolio company's business activities expand, it will need to increase its investment in network infrastructure, facilities and other areas of operations, and it will be required to improve existing, and implement new administrative, operational, cybersecurity, technological and financial systems, procedures and controls, and to expand, train and manage a growing employee base. Furthermore, a portfolio company's management will be required to maintain and expand relationships with suppliers and other third parties necessary for the success of such portfolio company's business. This growth can present significant challenges. If a portfolio company is unable to manage its growth and expansion effectively, the quality of its services and products could deteriorate and its business can potentially suffer and lead to adverse financial results.

From time to time, a portfolio company can occasionally evaluate and acquire assets and businesses that it believes complement its existing assets and businesses. Acquisitions will often require substantial capital or the incurrence of substantial indebtedness. A portfolio company's capitalization and results of operations could change significantly as a result of future acquisitions. Acquisitions and business expansions involve numerous risks, including difficulties in the assimilation of the assets and operations of the acquired businesses, inefficiencies and difficulties that arise because of unfamiliarity with new assets and businesses and the new geographic areas associated with them, and the diversion of management's attention from other business concerns. Further, unexpected costs and challenges can arise whenever businesses with different operations or management are combined, and a portfolio company can sometimes experience unanticipated delays in realizing the benefits of an acquisition. Also, following an acquisition, a portfolio company will occasionally discover previously unknown liabilities associated with the acquired business or assets for which such portfolio company has no recourse under applicable indemnification provisions.

The Funds also are permitted to invest a portion of their assets in less established companies. Such portfolio companies can often involve greater risks than generally are associated with portfolio companies in more established companies. Less established companies tend to have lower capitalizations and fewer resources and therefore, often are more vulnerable to financial failure. Such companies also typically have shorter operating histories on which to judge future performance and can sometimes have negative cash flow. As such, these portfolio companies should be considered highly speculative and can result in the loss of a Fund's entire portfolio investment.

- *Distressed Investments.* It is possible the Funds could invest in securities of portfolio companies that are in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Portfolio companies of this type involve substantial financial business risks that can result in substantial or total losses.

Portfolio companies can occasionally become involved in bankruptcy proceedings. Bankruptcy or other insolvency proceedings are highly complex and often result in unpredictable outcomes. The bankruptcy courts have extensive power and, under some circumstances, can alter contractual obligations of a bankrupt company. Shareholders, creditors and other interested parties are all entitled to participate in bankruptcy proceedings to attempt to influence the outcome for their own benefit. A variety of factors can affect the bargaining position of holders of distressed investments and can accordingly affect the outcome. The time required to conclude a bankruptcy case is unpredictable and carries the potential to have a material impact on the value of a distressed investment. It also frequently is a critical variable in determining the rate of return on a distressed investment.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Kainos will correctly evaluate the value of a portfolio company's assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a portfolio company, there exists the potential that a Fund will lose its entire investment, be required to accept cash or securities with a value less than the Fund's original investment, and/or be required to accept payment over an extended period of time.

- *Non-U.S. Investments.* Subject to the limitations set forth in the Governing Documents, the Funds are permitted to invest globally. Non-U.S. securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Funds' non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another, (b) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, (c) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (d) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, border control and the risks of political, economic or social instability, (e) obtaining non-U.S. governmental approvals and complying with non-U.S. laws, (f) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities and (g) differing tax structures. Anti-fraud and anti-insider trading legislation in these countries can be rudimentary. Anti-dilution protection also can be limited. In these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders can sometimes be limited. There can be no guarantee that the legal systems in these countries will offer an 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.
- *Labor Relations.* Some portfolio companies have unionized work forces or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any portfolio company's collective bargaining agreements, it is possible such portfolio company will be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities will likely be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of a portfolio company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally can potentially adversely affect a Fund's ability to implement its investment objectives.

- *Environmental Hazards.* Under environmental laws enacted by U.S. federal and state governments, owners and lessees of property can be liable for the clean-up and removal of hazardous substances even when the present owner was not responsible for placing the hazardous substances on the property or when the property was contaminated prior to the time the owner took title. Environmental statutes, rules and regulations can also change or a condition at a portfolio company can change and lead to liabilities or obligations that did not exist or were not foreseen at the time of the applicable investment in such portfolio company. 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 the respective Fund could suffer a complete loss of its investment in such portfolio company. In addition, persons who arrange for the disposal or treatment of hazardous materials can also be liable for the costs of removal or remediation of those materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by that person. Any liability of portfolio companies resulting from non-compliance or other claims relating to environmental matters or any costs related to coming into compliance could have a material adverse effect on the value of the investments in such portfolio companies.
- *Environmental, Social and Governance Matters.* While ESG matters (also referred to as “responsible investing”) are only one category of the many factors Kainos will consider in making an investment, there is no guarantee that Kainos 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 Kainos engages with companies on ESG-related practices and potential enhancements thereto, such engagements could potentially not achieve the desired financial and social results, or the market or society could potentially not view any such changes as desirable. Successful engagement efforts on the part of Kainos will depend on Kainos’ 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. Since considering ESG qualities when evaluating an investment can sometimes result in the selection or exclusion of certain investments based on Kainos’ view of certain ESG-related and other factors, it carries the risk that the Funds could underperform other private equity 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 Kainos or any judgment exercised by Kainos 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 Kainos’ assessment of such practices can change over time.
- *Risks Related to Investment Structure.* Portfolio investments in the securities of various portfolio companies are also subject to a number of risks, which will be dependent in part on the structure of the portfolio company (*e.g.*, corporation, partnership, etc.) and the structure of the securities (*e.g.*, common equity, preferred equity, secured and unsecured debt and senior or junior debt, etc.). The performance of securities generally can depend in part on liquidity, market support, price

volatility, and the relative rights of more senior and junior stakeholders, among other things. The business, creditworthiness, tax position, and effectiveness and stability of management of a portfolio company, as well as general and specific financial, business and economic conditions, can also have an effect on the value of securities.

- *Reliance on Management.* The success of the Funds depends in substantial part upon the skill and expertise of the Kainos Partners and other investment professionals who will be providing investment advice with respect to the Funds. There can be no assurance that these key investment professionals will continue to be associated with Kainos throughout the life of the Funds. In addition, the Kainos Partners, investment professionals and others within Kainos devote their time and attention to Kainos and various investments and activities of Kainos, which includes the activities of Kainos and the Funds. Subject to the terms of the Governing Documents, the composition of the team dedicated to the Funds can change from time to time without notice to the investors. Accordingly, the make-up of the Kainos Partners and the pool of investment professionals with responsibility for the investment strategy of the Funds will likely evolve over time. The loss of key personnel could have a material adverse effect on the Funds' ability to realize their 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 Kainos' or a portfolio company's investment professionals can be replaced. The success of the Funds depends on the Kainos Partners' ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals and other personnel. Such compensation arrangements on occasion provide that an investment professional or other person, in certain circumstances after the individual is no longer employed or retained by Kainos or a portfolio company, be granted a continuing interest in respect of particular portfolio companies.
- *Reputational Risk.* Kainos is subject to litigation risks and could potentially face significant liabilities and damage to its professional reputation as a result of litigation allegations and negative publicity. The activities of Kainos, including its investment decisions and the activities of its employees in connection with its portfolio companies, can subject Kainos and its employees to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of Kainos' Funds and a variety of other potential litigants. Kainos is also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly considered and approved under applicable law.

If any civil or criminal lawsuits were brought against Kainos and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially and adversely affect Kainos' business, results of operations and financial condition or cause significant reputational harm to Kainos, which could seriously impact Kainos' business. Kainos depends to a large extent on its business relationships and reputation for integrity and high-caliber professional services to attract and retain investors and qualified professionals and to pursue investment opportunities for its Funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate

outcome is favorable or unfavorable to Kainos, as well as negative publicity and press speculation about Kainos, Kainos' investment activities or the private equity industry in general, whether or not valid, would potentially harm Kainos' reputation, which can be more damaging to its business than to other types of businesses.

- *Operational Risk.* The Funds are subject to operational risk, including the possibility that errors are made by Kainos, the Funds' service providers (including fund administrators) or any of their respective affiliates in certain transactions, calculations or valuations on behalf of, or otherwise relating to, the Funds. Investors are not necessarily notified of the occurrence of an error or the resolution of any error. Generally, Kainos, the Funds' service providers and any of their respective affiliates will not be held accountable for such errors, and the Funds could bear losses resulting from such errors.
- *Lack of Transferability of Interests in the Funds; No Right of Withdrawal.* The interests in the Funds have not been registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not expected that registration of the interests under the Securities Act or other securities laws will ever be effected. There is no public market for the interests and one is not expected to develop. The Governing Documents provide that investor interests are not generally transferable and voluntary withdrawal of an investor from the Funds is not allowed. Investors must be prepared to bear the risks of owning interests and contributing capital for an extended period of time. Additionally, the Funds will not be registered as an investment company under the Investment Company Act. Consequently, the purchase of a direct or indirect interest should be considered only as a long-term and illiquid investment.
- *Risk of Unsuccessful Exit Strategies.* Kainos is permitted to cause the Funds to opportunistically sell, publicly list, distribute or otherwise dispose of portfolio companies at any time. It is not possible to predict whether a particular exit strategy will be advantageous or available at the appropriate time. If a Fund fails to execute an exit strategy successfully prior to the liquidation of the Fund, such Fund could be forced to liquidate its assets on terms less favorable than anticipated and the proceeds from these portfolio companies and the remaining portfolio companies would potentially be materially and adversely affected.
- *Illiquid and Long-Term Investments.* Although portfolio companies can generate current income, portfolio companies will be held for an indefinite period of time and the return of capital and the realization of gains, if any, from a portfolio investment generally will most likely occur only upon the partial or complete disposition of such portfolio investment. While a portfolio investment could be sold at any time, it is generally expected that the sale of a substantial portion of portfolio companies will not occur for a number of years after such portfolio investments are made. There will not be a public market for certain of the securities or debt instruments held by the Funds and such securities or debt instruments could require a substantial length of time to liquidate. The

Funds generally will not be able to sell these securities or debt instruments publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, a Fund could be prohibited or limited by contract from selling certain securities or debt instruments for a period of time and as a result, will potentially not be permitted to sell a portfolio investment at the time it might otherwise desire to do so.

- *Portfolio Company Management Risks.* With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect such portfolio company's performance. Although Kainos expects to monitor the management of each portfolio company, the management of each portfolio company will have day-to-day responsibility with respect to the business of such portfolio company. There can be no assurance that the existing management team of a portfolio company, or any new team, will successfully operate such portfolio company or meet the Funds' expectations.
- *Projections.* The Funds will often rely upon projections developed by Kainos or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Kainos and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash flow.
- *Valuation Risk.* Given the nature of the proposed portfolio investments, the Funds generally rely upon Kainos for valuation of certain of the Funds' assets, including, without limitation, in connection with the distribution of illiquid securities upon the liquidation of the Funds. Kainos is authorized to engage qualified valuation professionals to assist in this determination; however, it is not always required to do so. Given the nature of the proposed portfolio investments and the significant uncertainty and volatility in the current financial markets due to COVID-19, valuation of assets can be difficult. There is sometimes a relative scarcity of market comparables on which to base the value of a Fund's assets. Additionally, the ultimate extent of the economic impact of COVID-19 will depend on future developments, which are highly uncertain and cannot be predicted at this time.
- *Expense Allocations.* Subject to the terms and conditions set forth in the Governing Documents, it is generally expected that the investors will collectively bear the aggregate organizational expenses and operating expenses of the Funds (other than the Management Fee), including the costs and expenses that are attributable to (a) a single parallel fund, alternative investment vehicle or similar alternative structure, holding vehicle, feeder fund or other Fund entity (each, a "Fund Entity") through which an investor could potentially not participate or (b) a portfolio investment in which an investor does not participate. As a result, an investor can bear a greater amount of costs and expenses than if the costs and expenses attributable to one or more Fund Entities or portfolio

companies, as applicable, were specially allocated to the investors actually participating in such Fund Entities or portfolio companies, as applicable.

- *Interpretation of Governing Documents.* The Governing Documents of the Funds establish complex arrangements among the Funds, the investors, Kainos and other relevant parties. From time to time, questions can arise regarding certain parties' rights and obligations in certain situations, some of which will not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents can be deemed to be broad, unclear, general, conflicting, ambiguous or vague and allow for multiple reasonable interpretations. In other instances, there will not necessarily be a directly applicable provision. While Kainos will construe the relevant provisions in good faith and in a manner consistent with its legal obligations, the interpretations used can potentially not always be the most favorable to the Funds or the investors.
- *Passive Investment in Interests.* The management of the affairs of the Funds will be vested exclusively in Kainos, and each investor must rely upon the ability of Kainos with respect to the selection and origination of portfolio companies which the Funds will acquire. An investor will not take part in the management or control of the business of the Funds and will not have an opportunity to evaluate for itself the relevant economic, financial and other information regarding the portfolio companies which the Funds will acquire or the properties which will directly or indirectly serve as collateral for such portfolio companies. No assurance can be given that Kainos will be successful in selecting suitable portfolio companies or that the objectives of the Funds will be achieved.
- *Portfolio Concentration.* While the Governing Documents contain certain diversification limitations, there can be no assurance as to the degree of diversification that will actually be achieved in the portfolio investments and it is likely that the asset mix of a Fund will differ from that which would result if diversification was a Fund's primary investment focus. To the extent that a Fund concentrates its portfolio companies in a particular geographic region, security, investment sector or stage of investment, such portfolio companies could become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to such region, type of security, investment sector or stage of investment. In addition, because the Funds have the ability to concentrate an unlimited amount of its portfolio companies in a single industry, the overall adverse impact on a Fund of adverse movements in the value of the securities of a single portfolio company or adverse events in a particular industry will be considerably greater than if such Fund were not permitted to concentrate its investments to such an extent. The Funds will only make a limited number of portfolio investments, and since portfolio companies generally will involve a high degree of risk, poor performance by a few of the portfolio companies could severely affect the total returns to the investors. In the event a portfolio investment fails to meet projections, the relevant Fund has the potential to suffer a partial or total loss of capital invested in such portfolio investment.

- *Liability of Return of Distributions.* Under applicable law, if the Funds are otherwise unable to meet their obligations, the investors can be obligated to return cash distributions with interest previously received by them if such distributions are deemed to be wrongfully paid to them and such investors knew at the time of such distributions that they were wrongfully paid. In addition, an investor could be liable under applicable law, including U.S. federal or state bankruptcy laws, to return a distribution made during a Fund's insolvency. Under the terms of the Governing Documents, investors also could be required to return amounts distributed to them to fund such Fund's expenses, including indemnity obligations.
- *Risks upon Disposition of Investments.* In connection with the disposition of certain types of portfolio companies, the Funds will often be required to make representations about the business and financial affairs of the applicable portfolio company typical of those made in connection with the sale of any business, or will sometimes be responsible for the contents of disclosure documents under applicable securities laws. The Funds will often also be required to indemnify the purchasers of such portfolio company or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements have the potential to result in contingent liabilities, which might ultimately have to be funded by the investors. The Governing Documents contain provisions to the effect that if there is any such claim in respect of a portfolio investment, it will be funded by the investors to the extent of their unpaid commitments or to the extent that they have received distributions from a Fund, subject to certain limitations.
- *Expedited Transactions.* Investment analyses and decisions by Kainos can frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Kainos at the time of an investment decision can be limited and Kainos will potentially not have access to detailed information regarding the prospective investment. Therefore, there can be no assurance that Kainos will have knowledge of all circumstances that can materially and adversely affect a portfolio investment.
- *Investments Longer than Term.* The Funds are permitted to make portfolio investments that, due to various reasons, can potentially not be capable of an advantageous disposition prior to the date a Fund is required to be dissolved, either by expiration or termination of a Fund's term or otherwise. Although Kainos expects that portfolio companies will generally either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund could have to sell, distribute or otherwise dispose of portfolio companies at a disadvantageous time as a result of dissolution or retain or hold such portfolio investment during dissolution for an extended period of time (e.g., Kainos can determine that it is in the best interest of a Fund to hold, and develop a longer term exit strategy, for certain portfolio companies that ultimately extends meaningfully beyond the expiration of such Fund's term and results in a materially elongated dissolution process). Further, portfolio companies distributed in-kind can be illiquid and there can be no assurance that any investor will be able to dispose of them at the value determined in accordance with the Governing Documents.

- Follow-on Investments.* Following an initial portfolio investment, the Funds are typically called upon to provide additional funds or have the opportunity to increase their investment or to fund additional portfolio investments. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all such follow-on investments. Any decision by a Fund not to make follow-on investments or its inability to make them can have a substantial negative impact on the original portfolio investment and could result in missed opportunities for the Fund or in the dilution of portfolio investments (in the event alternative capital is used to satisfy such additional funding needs). If a Fund makes a follow-on investment, there can be no assurance that such follow-on investment will be successful. Additionally, co-investors that participated in an initial portfolio investment could choose not to participate in a follow-on investment with respect to such initial portfolio investment, which can increase a Fund's exposure to such investment.
- Borrowing.* Subject to certain limitations set forth in the Governing Documents, the Funds intend to borrow at the Fund-level or at a subsidiary of a Fund on a secured or unsecured basis in connection with the consummation of a portfolio investment or for any other purpose related to the business and operations of the Funds; provided, that any such borrowing generally shall be repaid within 150 days following the date of the applicable borrowing. It is expected that this indebtedness, if incurred, will be secured primarily by the unpaid commitments of the investors or a Fund's other assets. Any such arrangement has the potential to be secured in whole or in part by a pledge of investors' unpaid commitments. In connection therewith, Kainos will be authorized, without any further action of the investors, to grant a security interest in the right to initiate capital calls and collect the unpaid commitments. In addition, investors could be required to confirm the terms of their commitments, provide financial information and execute other documents as required by debt providers to such Fund. Investors whose unpaid commitments have been pledged can be called upon to fund their entire unpaid commitments to repay indebtedness and the failure of other investors to honor their commitments can result in an investor's payments exceeding its pro rata share of the indebtedness that has been incurred by the Fund. An investor could also be required to fund amounts to repay subscription-based credit facility borrowings incurred in connection with a portfolio investment even if such investor did not participate in the relevant portfolio investment in connection with which such borrowings were incurred. In addition, the extent to which a Fund incurs borrowings can potentially have certain consequences to the investors, including, but not limited to (a) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional portfolio companies, distributions or other purposes or (b) increased interest expense if interest rate levels were to increase.

In the event a Fund incurs indebtedness, the preferred return accruing in respect of investors could be less than otherwise would have been the case in the absence of such indebtedness. As a result, Kainos could 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 such Fund not incurred such indebtedness and, instead, had required the investors to make additional capital contributions.

Tax-exempt investors should note that the use of leverage by the Fund or its subsidiaries can create UBTI.

Kainos expects to fund certain capital needs of the Funds with the proceeds of borrowings in lieu of drawing down commitments, which could result in the net internal rate of return of the Funds being higher than it otherwise would have been without Fund-level borrowing, particularly during the early years of the Fund's life. Kainos (or an affiliate thereof) can be incentivized to fund the acquisition of portfolio companies and ongoing capital needs of the Funds with the use of indebtedness in lieu of drawing down unpaid commitments.

- *Guarantees of Portfolio Companies and/or Affiliates.* The Funds are permitted to guarantee the obligations of portfolio companies and/or affiliates of the Funds. As a result, if any such portfolio investment or affiliate defaults on its obligations, such Fund will be required to satisfy such obligation. In order to do so, the Funds will potentially call capital, recall distributions or liquidate some or all of the portfolio companies prematurely at potentially significant discounts to fair value. In addition, the Funds, a subsidiary of the Funds or Kainos or its affiliates are permitted to guarantee obligations or provide letters of credit or other credit support to facilitate portfolio companies, which such letters of credit or other credit support will not have any explicit limitations, 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 any such portfolio investment or affiliate defaults on its obligations, the relevant Fund will be required to satisfy such obligation, which could result in the Fund making a larger investment in such portfolio investment than initially expected. In order to do so, the Funds are permitted to call capital, recall distributions or liquidate some or all of the portfolio companies prematurely at potentially significant discounts to fair value. For example, in connection with certain portfolio companies, a Fund can provide a completion or performance guarantee. In such cases, the Fund will likely be required to indemnify Kainos and their employees and affiliates for any losses incurred in connection with such guarantee. Further, the party executing a completion or performance guarantee could be motivated to make decisions that are advantageous to the guarantor, but detrimental to a Fund or the investors.
- *Risk of Bridge Financings.* The Funds are permitted to make a portfolio investment alongside a bridge financing with the intent of selling, refinancing or otherwise reducing such bridge financing, including through co-investment by one or more investors or third parties, after the closing of such portfolio investment. If a Fund is unable to complete such an anticipated transaction, its portfolio investments will be less diversified than they otherwise may have been and such Fund would potentially have greater exposure to certain portfolio companies, regions and sectors than intended or desired, including to assets that Kainos would not have acquired on a stand-alone basis or to a portfolio investment that exceeds the amount that is permitted to be invested in a single investment that does not involve bridge financing. In addition, to the extent that a Fund is

unable to complete an anticipated transaction, it will likely incur broken deal and related costs associated with the pursuit of such transaction.

- *Excuse and Exclusion from Investments.* Under certain limited circumstances, an investor (or group of investors) could be excused from participating in a portfolio investment (including, without limitation, to avoid violations of law and violation of an investor's pre-existing written policies disclosed to Kainos on or before the closing at which such investor was admitted to a Fund) or Kainos could exclude or limit the participation of an investor in a portfolio investment (including, without limitation, if an investor's participation is reasonably likely to have a material adverse effect on a Fund). In addition, in the event that an investor is excused from participating in all proposed and future portfolio companies or excluded from a portfolio investment, each other investor will likely be required to make an additional capital contribution to the respective Fund in respect of such portfolio companies, subject to such additional capital contribution not exceeding such investor's unfunded commitment and certain other limitations, thereby resulting in such other investor having increased investment exposure to such portfolio investments than such investor would otherwise have had but for such excuse or exclusion event.
- *Failure to Make Capital Contributions.* If any investor fails to fund its subscription obligation or make required capital contributions when due, the Funds' ability to complete their investment strategies, satisfy credit facility borrowing covenants or obligations or otherwise continue operations could be substantially impaired. A default by one or more investors with substantial commitments could leave a Fund with insufficient capital to meet its funding obligations, and would limit opportunities for investment diversification and likely reduce returns to such Fund. Any investor that defaults in making a required capital contribution is subject to certain material adverse consequences pursuant to the provisions of the Governing Documents, including forfeiture of all or a portion of its interests. In addition, Kainos is permitted to offer such investor's forfeited interests to any other person.
- *In-Kind Distributions.* Although, under normal circumstances, the Funds intend to make distributions in cash, it is possible that under certain circumstances (including in connection with the liquidation of a Fund), distributions will be made in kind and could consist of securities for which there is no readily available public market. The risk of loss and delay in liquidating securities or other assets distributed in kind will be borne by the investors in the respective Fund, with the result that such investors could potentially receive less cash than was reflected in the fair value of such securities as determined by Kainos pursuant to the Governing Documents (and Kainos could potentially receive more Carried Interest than it would have had such securities been valued at the price for which they are ultimately disposed). In addition, when investments are distributed to investors in kind, such investors can sometimes become minority shareholders in the underlying portfolio companies and can be unable to protect their interests effectively.
- *Litigation.* Litigation can and does occur in the ordinary course of the management of an investment portfolio. The Funds can 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. Such litigation can arise as a result of a portfolio company's default, bankruptcy and/or other reasons. In certain cases, such portfolio company can bring claims and/or counterclaims against a Fund, Kainos, a General Partner and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against a Fund by third-parties and paying any amounts pursuant to settlements or judgments would be borne by the respective Fund to the extent that (a) such Fund has not been able to protect itself through indemnification or other rights against the portfolio company, (b) the Fund is not entitled to such protections or (c) the portfolio company is not solvent. Kainos and the General Partners could potentially be indemnified by the Funds in connection with such litigation, subject to certain conditions.

The outcome of any proceedings involving the Funds or the portfolio companies has the potential to materially adversely affect the Funds and can continue without resolution for long periods of time. Any litigation can consume substantial amounts of Kainos' time, attention and resources, which may, at times, be disproportionate to the amounts at stake in the litigation. Under the Governing Documents, the Funds will generally be responsible for indemnifying Kainos and related parties for costs they incur with respect to such litigation not covered by insurance.

- *Third-Party Advice.* The Funds and Kainos utilize the services of attorneys, accountants, custodians, fund administrators and other consultants in their operations. The Funds and Kainos generally rely upon such service providers for their professional judgment with respect to legal, tax, accounting, operational, regulatory and other matters. Nevertheless, there is a risk that such service providers provide incorrect advice from time to time or otherwise make errors when providing services. None of the Funds or Kainos will generally have any liability to the investors for any reliance upon such advice or services. Service providers will be selected by Kainos on behalf of the Funds with due care and consistent with their obligations under applicable law. Notwithstanding the foregoing, the Funds can sometimes bear the risk of any errors or omissions by such service providers. Additionally, subject to certain limitations, the Funds can potentially be required to exculpate and indemnify such service providers for any losses incurred. Whenever Kainos makes a determination or uses its discretion, unless otherwise indicated, it shall do so in its sole and absolute discretion.
- *Cybersecurity Risk.* Kainos, the portfolio companies and any of their respective service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. For example, the Funds expect to provide investors all statements, reports, notices, updates, requests and any other communications required under the Governing Documents in electronic form, such as e-mail or posting on a web-based reporting site or other internet service, in lieu of or in addition to sending such communications as hard copies via fax or mail. These systems are subject to a number of different threats or risks that could adversely affect the Funds and the investors, despite the efforts of

Kainos, the portfolio companies and any of their respective service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, e-mail and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and the 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). Such incidents could cause the Funds, Kainos, the portfolio companies or any of their respective service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, liability to clients or third parties, regulatory intervention or financial loss. The Funds and Kainos make no assurances, representations or warranties in relation to these matters, and have not obtained representations or warranties in relation to these matters from all of their respective service providers.

- *Advisory Committees.* In accordance with the Governing Documents, Kainos expects in certain situations to choose to seek the approval of the members of a Fund’s advisory committee with respect to certain potential conflict of interest situations and such advisory committee approval could be required to resolve certain conflicts and other matters. Any such approval by an advisory committee will be binding upon the respective Fund and all its investors. Although an advisory committee is intended to act as the representative of the investors, an advisory committee can potentially not have the same interests as all investors. Furthermore, an advisory committee cannot be expected to be an expert in private equity investing, and certain of its determinations can, in fact, adversely affect the performance of a Fund.
- *Side Letters.* Each General Partner, on behalf of the Funds, expects, from time to time, to enter into side letters with one or more investors which have the effect of establishing rights under, or altering or supplementing the terms of the Governing Documents or such investor’s subscription agreement (including expanded informational rights or preferential co-investment rights, excuse rights or economic terms). As a result of such side letters, certain investors will sometimes receive additional benefits (including expanded informational rights or preferential co-investment rights, excuse rights or economic terms) which other investors will not receive or have the ability to review. Although any rights or terms established in a side letter with an investor are intended to govern solely with respect to such investor, such rights or benefits can, by altering the terms of the Governing Documents or requiring the consent of an investor for certain Fund investments and other actions, materially impact the Funds and other investors. It is possible that Kainos will not be required to notify any or all investors of any such side letters or any of the rights or terms or provisions thereof, and may not be required to offer such additional or different rights or terms to any or all investors.

Kainos, on behalf of the Funds, can enter into such side letters or such broader agreements with any investor as Kainos determines in its sole and absolute discretion at any time. Accordingly, the other investors will have no recourse against the Funds or any of its respective affiliates in the event that certain investors receive additional or different rights or terms as a result of such side letters or such broader agreements. The Funds will generally bear the expenses of administering side letters and other investor-specific requests.

- *Key Person Risk.* The success of the Funds depends in substantial part upon the skill and expertise of the Partners, other investment professionals of the Firm, and others providing investment advice with respect to the Funds. There can be no assurance that these key investment professionals will continue to be associated with the Firm throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds' ability to realize their investment objectives. Furthermore, the Firm believes that its investment professionals have considerable expertise in the relevant sectors, but there is no means of predicting whether they will successfully implement the Funds' investment strategies, especially during changing economic conditions. 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 Firm's or a portfolio company's investment professionals will stay the same, including whether the professionals who have contributed to the past performance of any prior Funds continue to serve in the same or similar roles on a particular investment team (or will leave such team or Kainos during the life of the Fund). The success of the Funds depends on the Firm'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 provide that an investment professional or other person will, in certain circumstances after the individual is no longer employed or retained by the Firm or a portfolio company, be granted a continuing interest in respect of particular portfolio companies

Conflicts of Interest

Kainos is subject to various conflicts of interest, including, but not limited to, those described below. Investors should note that the Governing Documents contains provisions that, subject to applicable law, (a) reduce or modify the duties, including fiduciary and other duties, to the Funds and investors to which Kainos would otherwise be subject, (b) waive duties or consent to conduct of Kainos that might not otherwise be permitted and (c) limit the remedies of investors with respect to breaches of such duties. Additionally, the Governing Documents contains exculpation and indemnification provisions that, subject to the specific exceptions enumerated therein, provide that Kainos and its affiliates will be held harmless and indemnified for matters relating to the operation of the Funds, including matters that may involve one or more potential or actual conflicts of interest.

The discussion below enumerates certain actual and potential conflicts of interest that may arise in connection with Kainos' activities, on the one hand, and the services that Kainos provides to the Funds and the Funds' activities, on the other hand. These conflicts of interest do not purport to be a

complete list or explanation of all actual or potential conflicts of interest that can arise in connection with an investment in a Fund. Dealing with conflicts of interest is difficult and complex, and it is not possible to predict all of the types of conflicts that can arise. Conflicts may not be resolved in a manner that is favorable to a Fund. By acquiring an interest, each investor will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and, subject to the terms of the Governing Documents, to have waived any and all claims with respect to the existence of any such conflicts of interest and any actions taken or proposed to be taken in respect thereof. To the extent that prospective investors would benefit from an independent review, such benefit is not available through the Funds' counsel or through Kainos or any of its respective affiliates. Prospective investors are encouraged to seek the advice of independent legal counsel in evaluating the conflicts involved in the offering and operation of the Funds.

- *Allocation of Investment Opportunities.* All prospective investment opportunities identified by Kainos or a Kainos Partner (as long as such Kainos Partner is actively involved in the management of, or employed by, Kainos and other than follow-on investment opportunities related to a prior Kainos portfolio company) that are within the scope of the current actively investing Fund's investment objectives and are in an amount in excess of \$10 million will be made available to such Fund before being offered to any other entity or person; provided that in certain circumstances, the Funds are permitted to co-invest on a basis that Kainos believes is fair and equitable, subject to approval by the respective advisory committees. Notwithstanding the foregoing, with respect to any other Fund for which an initial closing of investors has been held prior to the expiration of a previous Fund's investment period, Kainos intends to allocate investment opportunities that meet the investment objectives of such Funds on a basis which Kainos believes is fair and equitable, subject to approval by the respective advisory committees. As a result of such exceptions, opportunities sourced by Kainos that would otherwise be suitable for one Fund could potentially not be available to the Fund or the Fund could receive a smaller allocation of such opportunities than would otherwise have been the case.
- *Incentive to Allocate Investment Opportunities to Co-Investment Vehicles and Kainos Funds.* To the extent that Kainos, a General Partner or any of their affiliates are entitled to receive Carried Interest, other incentive-based compensation, Management Fees or any other fees or compensation in respect of a Fund, co-investment vehicle, an future fund or a SPAC, there could be circumstances in which the aggregate economic benefit to Kainos and its respective affiliates from allocating an investment opportunity to such Fund, co-investment vehicle, future Fund or a SPAC, is (or is expected to be) greater than if the particular investment were made solely by the Funds. For example, Kainos and its respective affiliates could potentially not be required to offset certain transaction, break-up and other fees against Management Fees (if any) allocable to such co-investments. In addition, Kainos is permitted to enter into formal or informal arrangements pursuant to which Kainos benefits economically, directly or indirectly, from offering co-investment opportunities to one or more investors or other persons. As a result of any such circumstances, Kainos can be incentivized to allocate a greater portion of an investment opportunity to a co-investment vehicle, a Fund or a future fund than it would otherwise allocate

in the absence of such economic circumstances. In addition, Kainos' allocation of any co-investment opportunities can potentially benefit Kainos or any of its respective affiliates in other ways, including increased commitments to a Fund.

- *Co-Investment Opportunities.* Kainos is generally permitted, but is not obligated, to, where appropriate and feasible, provide the opportunity to co-invest with a Fund in its portfolio companies, directly or indirectly, to certain third parties and/or investors. When Kainos determines to offer a co-investment opportunity to one or more third parties or investors (including, without limitation, other Kainos investment Funds or Kainos employees that are not related persons), Kainos has broad discretion in determining to whom and in what relative amounts to allocate co-investment opportunities. In determining to offer any co-investment opportunity in a specific portfolio company, Kainos will generally first determine the appropriate allocation to the Fund taking account of relevant circumstances before allocating any portion of such investment to one or more co-investors. The ability of co-investment parties to participate in follow-on investments to co-investment opportunities will be determined on a deal-by-deal basis. Decisions whether and to whom to offer co-investment opportunities are made at the sole and absolute discretion of Kainos and will not necessarily be offered to no investors or some but not all investors, and if offered to investors, with allocations that can differ from their proportionate commitment to a Fund, and/or to third parties, and can reflect Kainos' assessment of a number of factors including, without limitation, Kainos' evaluation of (a) the size and financial resources of a potential co-investment party, (b) the ability of such potential co-investment party to efficiently and expeditiously participate in such investment opportunity, (c) confidentiality concerns in connection with providing such potential co-investment party information relating to the investment opportunity, (d) Kainos' past experiences and relationships with such potential co-investment party, (e) whether such co-investment opportunity is likely to subject such potential co-investment party or the potential portfolio company to legal, regulatory, reporting, public relations, media or other concerns, (f) whether the profile or characteristics of the potential co-investment party can have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity, (g) the existence of any committed co-investment vehicle, (h) the willingness of such potential co-investment party to pay fees (including any Carried Interest) and broken deal expenses, (i) whether such potential co-investment party has demonstrated or has the potential to demonstrate a long-term and/or continuing commitment to the potential success of Kainos and/or Kainos Funds, (j) the jurisdiction of such potential co-investment party, and (k) whether allocating investment opportunities to such potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that could potentially provide direct or indirect longer term benefits to current or future investment vehicles. Co-investors will potentially purchase their interests at the same time as a Fund or participate in a post-closing sell-down from a Fund after such Fund consummates the applicable investment in a portfolio company. In light of the foregoing, no investor should have any expectation of receiving co-investment opportunities.

The allocation of a co-investment opportunity can give rise to certain additional potential conflicts of interest, including that Kainos can allocate such co-investment opportunity in a manner that benefits Kainos other than as a result of receiving Carried Interest, fees and/or incentive compensation from a co-investor (including by allocating such co-investment opportunity to a person to encourage such person to enter into a relationship with, or expand its relationship with Kainos) and that, if the co-investment opportunity is granted with respect to an existing investment in a portfolio company, the amount paid directly or indirectly by investors participating in such co-investment opportunity to a Fund in respect of such investment will be determined by Kainos.

Co-investors will typically bear their pro rata share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments, in certain cases, and can be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as reverse breakup fees or broken deal expenses. Although Kainos will endeavor to allocate such fees, costs and expenses on a fair and equitable basis, co-investors will potentially not agree to pay or otherwise bear fees, costs and expenses related to unconsummated co-investments (and in certain circumstances, co-investors will not necessarily bear such fees, costs and expenses, including because the co-investors have not been identified or confirmed as of the time such potential investment ceases to be pursued, are not yet committed to such potential investment or are not contractually required to bear such fees, costs and expenses). In such event, such fees, costs and expenses will be considered operating expenses of and be borne by the Funds.

Some co-investors pay Kainos or its affiliate Management Fees, administrative fees, one-time funding, acquisition or co-investment fees and/or Carried Interest in respect of co-investments, and fee income attributable to co-investments will not be shared by Kainos with the Funds or co-investors.

Moreover, it is possible Kainos will establish one or more additional limited partnerships or similar investment vehicles (each, a “GP Co-Investment Vehicle”) through which the Kainos Partners, certain employees of Kainos, their respective family members, or estate or charitable planning entities whose beneficiaries or owners are the family members of a Kainos Partner or such employees and any other persons who provide services to the Funds or who, in the discretion of Kainos, can potentially add value to a Fund’s activities by virtue of its association with the Funds and/or certain portfolio companies, or can co-invest with the Funds in certain portfolio companies. Kainos and/or any affiliate thereof are entitled to, but under no obligation to, receive fees and compensation with respect to such GP Co-Investment Vehicle. Kainos is under no obligation to establish such GP Co-Investment Vehicle and if so established, Kainos is under no obligation to offer participation in such GP Co-Investment Vehicle to any investor. To the extent that any GP Co-Investment Vehicle is offered an opportunity to invest in a portfolio company alongside a Fund, Kainos is not required to offset Fund Management Fees with any transaction or other fees allocable to such co-investments. With respect to certain Kainos employees, Kainos’

ordinary practice is to offer such employees the opportunity to co-invest up to \$25,000 in each portfolio investment.

- *Information Sharing.* Because of the scope of Kainos' activities, Kainos often has or obtains information that can be utilized by Kainos across multiple portfolio companies or clients. For example, information Kainos has acquired through its management of the Funds can be used by Kainos to identify or evaluate potential investments for the Funds. Conversely, information Kainos acquires in connection with a Fund's activities can be used by Kainos in connection with its management of other Kainos Funds or future funds (and, for the avoidance of doubt, Kainos will have no duty, contractual, fiduciary or otherwise, to keep such information confidential from, or not to use such information in connection with the investment activities of, such Kainos Funds or future funds). Kainos will potentially cause the Funds to trade on the basis of information it has or obtained through the investment activities of a Fund, and can trade, or cause such Fund or future fund to trade, on the basis of information that Kainos has obtained through a Fund's investment activities. In some cases, this trading could result in a Fund or future fund benefiting from the investment activities of a Kainos Fund (or vice versa).
- *Terms of an Investment by a Kainos Investment Fund Can Potentially Benefit or Disadvantage a Fund.* In making certain decisions with regard to a potential portfolio investment, Kainos faces certain conflicts of interest between the interests of one Fund or another Fund that has already made a related investment. Similarly, a prospective investment by a Fund in an investment in which a Fund has already invested could present a conflict of interest with respect to a portfolio investment. Subject to applicable law and any limitations contained in the Governing Documents (including, without limitation, any required advisory committee consents), Kainos can cause a Fund to invest in securities of companies in which another Fund has an interest, or to engage in investment transactions that could result in another Fund getting an economic benefit, being relieved of obligations or divested of investments. In situations where the activities of one Fund enhances the profitability of another Fund with respect to its investment in and activities relating to companies, Kainos may, but is under no obligation, to take the interests of such other Fund into consideration in connection with actions it takes on behalf of such Fund.
- *Investments with Related Parties.* In certain circumstances, subject to the limitations set forth in the Governing Documents, one Fund is permitted to participate in investments which involve another Fund within a transaction. For example, one Fund could: (a) enter into a joint transaction with another Fund; (b) in its discretion, invest alongside another Fund to facilitate a portfolio investment (e.g., to the extent there is excess capacity); or (c) hold other interests.
- *Access to Insider Information.* As a result of participation by representatives of Kainos on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by a Fund or Kainos, a Fund will sometimes 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 and such information could serve to restrict a

Fund in its investment activities. Due to these restrictions, a Fund could potentially not be able to initiate a transaction that it otherwise might have initiated and potentially will not be able to sell an investment that it otherwise might have sold. Such possession of material, non-public information can create a conflict of interest between the representatives' and Kainos' duties and obligations to the companies on whose boards these representatives participate and the Funds' ability to effect purchases and sales of the securities of such companies.

- *Cross Trades and Principal Trades.* When permitted by applicable law and subject to and in accordance with the terms of the Governing Documents, Kainos is permitted to (but is under no obligation to) cause a Fund to acquire or dispose of portfolio companies in cross trades between Funds or effect principal transactions where Kainos causes a Fund to purchase investments from or sell investments to Kainos, any of its respective affiliates, or any other investment vehicle in which Kainos or any of its respective affiliates have significant ownership interest; provided, that, any such transaction must be approved to the extent required by the Governing Documents and applicable law. Under the Governing Documents, certain of such transactions will require the approval of the advisory committee or a majority in interest of the investors (subject to certain exceptions), which approval will be deemed to constitute the approval of, and be binding upon, the Fund and all of its investors. There can be potential conflicts of interest or regulatory issues relating to these transactions, which can limit Kainos' decision to engage in such transactions for a Fund. In connection with a cross trade or a principal transaction, Kainos and its affiliates could have potentially conflicting divisions of loyalties and responsibilities regarding the Funds and the other parties to trade. However, there can be no assurance that such transactions will be effected or that such transactions will be effected in the manner that is most favorable to a Fund as a party to any such transaction.
- *Diverse Membership and Tax Withholding.* The investors often have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual investors can relate to or arise from, among other things, the nature of the portfolio investments made by the Funds, the structuring or the acquisition of portfolio companies and the timing of the disposition of portfolio companies. As a consequence, conflicts of interest could arise in connection with the decision made by Kainos, including with respect to the nature or structuring of portfolio companies, that can potentially be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, Kainos will consider the investment and tax objectives of the Funds and their investors as a whole, not the investment, tax or other objectives of any investor individually.
- *Allocation of Expenses.* Kainos will, on occasion, have a conflict of interest in allocating certain costs and expenses. For the avoidance of doubt, in the event that certain investors participate in a potential or existing portfolio investment through an alternative investment vehicle, all expenses incurred in connection therewith will be borne by all investors, subject to any limitations in the Governing Documents.

More generally, the allocation of expenses will inherently require judgment and there can be no assurance that a Fund will not bear a disproportionate share of expenses. For example, although Kainos is responsible for its own operating costs and expenses, determining Kainos' allocable share of internal costs, or otherwise allocating such costs and expenses among Kainos, the participating Funds and other parties, requires the judgment of Kainos and there can be no assurance that a Fund will not bear a disproportionate share of such internal costs. In addition, in certain situations third-party costs will be incurred for the benefit of one Fund, its portfolio companies, another Fund and its portfolio companies, Kainos or any of its affiliates. For example, fund liability insurance is typically allocated between the various parties primarily based on the highest level of remaining invested capital during the policy period.

Determining the parties' allocable share of such costs, or otherwise allocating such costs and expenses, requires the judgment of Kainos and there can be no assurance that a Fund or its portfolio companies will not bear a disproportionate share of such costs. Kainos shall seek to treat all parties fairly in allocating costs and expenses based on the particular facts and circumstances, but shall have sole discretion in making such allocation decisions.

- *Consultants, Advisors and Operating Partners.* Kainos has entered into and will enter into strategic relationships with consultants, advisors and operating partners who are not currently employees or affiliates of Kainos (which can include former Kainos employees as well as current and former executive officers of Kainos portfolio companies) to provide certain services to the Funds and certain portfolio companies in connection with sourcing investments, due diligence and/or operational matters. The services of such consultants, advisors and operating partners are in support of the Kainos operations team. Each such person is permitted to receive cash and/or non-cash (*e.g.*, allocations of equity) consideration from Kainos, the Funds and/or the applicable portfolio companies. Any such payments or allocations of equity to such persons who are not employees of Kainos will likely be treated as operating expenses and will not be applied to reduce any unpaid future Management Fee payable by the Funds to Kainos. In addition, in the event a potential investment is not consummated, the expenses of any consultant, advisor, operating partner or similar persons related to such potential investment will be borne by the relevant Fund(s). These consultants, advisors, operating partners and/or other professionals (which can include former Kainos employees as well as current and former executive officers of Kainos portfolio companies) can be offered the ability to co-invest alongside the Funds, including in those portfolio companies in which they are involved (and for which they can potentially be entitled to receive performance-based compensation, which will reduce a Fund's returns and will not necessarily be subordinated to the return of the investors contributions), or otherwise participate in equity plans for management of a portfolio company or invest directly in the Funds or in a vehicle controlled by Kainos subject to reduced or waived Management Fees and/or Carried Interest, including after the termination of their engagement (or other status) with Kainos.

In certain cases, these persons can have certain attributes of Kainos "employees" (*e.g.*, they could participate in general meetings and events for Kainos personnel, work on Kainos matters as their

primary or sole business activity, have Kainos-related e-mail addresses and/or participate in certain benefit arrangements typically reserved for Kainos employees) even though they are not considered Kainos employees, affiliates or personnel for purposes of the Governing Documents, the investment management agreement and related Management Fee offset provisions. Kainos expects, where applicable, to allocate the costs of such personnel to the Funds and/or applicable portfolio companies, and such expenses, to the extent allocated to the Funds, would be treated as operating expenses. Payments or allocations to such persons will not be subject to the Management Fee offset provisions, and can be expected to increase the overall costs and expenses borne indirectly by investors in the Funds. There can be no assurance that any such persons and/or other professionals will continue to serve in such roles and/or continue their arrangements with Kainos, the Funds and/or any portfolio companies throughout the term of the Funds.

- *Fees for Services.* To the extent that Kainos or the Kainos Partners or any of their respective affiliates provides services to the Funds or any portfolio company that would otherwise be provided by independent third parties, such related person will receive fees at rates customarily charged for similar services by persons engaged in the same or substantially similar activities and the provisions of any such agreement shall be at least as favorable to the Funds or such portfolio company as the terms reasonably expected by Kainos to be available in an arm's-length transaction with an independent third party; provided, however, that other than the services to be provided by Kainos pursuant to the investment management agreement or other Governing Document, no related person shall provide any such services to a Fund without the consent of the respective advisory committee. Kainos will report to the applicable advisory committee, on a quarterly basis, the amount of any such fees (other than reimbursement of expenses) received by any related person.
- *Shared Resources.* In certain circumstances, to create efficiencies and optimize performance, one or more portfolio companies of the Funds can often determine to share the operational, legal, financial, back-office or other resources of another portfolio investment or portfolio company of the Funds or an investment, portfolio company or property of Kainos or another vehicle or account managed by Kainos. In connection therewith, the costs and expenses related to such services will be allocated among the relevant entities on a basis that Kainos determines in good faith is fair and equitable (but which will be inherently subjective). In addition, it is possible that a portfolio company will be in the business of providing services that are, or could be, utilized by another portfolio investment or portfolio company. In this situation, Kainos could determine that one or more portfolio investments or portfolio companies use the other portfolio company's services, even where these services were previously provided to a portfolio company from a third party. These types of arrangements will not require the consent of investors or an advisory committee. Determining an allocable share of costs inherently requires the judgment of Kainos and there can be no assurance that the Funds will not bear a disproportionate amount of any costs.
- *Service Providers and Suppliers.* Kainos will from time to time engage, or cause the portfolio companies to engage, service providers in connection with the operations of a Fund or one of their portfolio companies. Some of the Funds' or the portfolio companies' service providers

(including attorneys, accountants, investment bankers and lenders) are also service providers to Kainos and its affiliates. In addition, one or more of the Funds' or Kainos' service providers and their shareholders are or will be investors in a Fund or other investment vehicles managed by Kainos and/or sources of investment opportunities for the Funds. These factors have the potential to influence Kainos in deciding whether or not to select any particular service provider for a Fund or any portfolio company. There also could be instances where portfolio companies provide services to another portfolio company, a Fund, Kainos or its affiliates.

Notwithstanding the foregoing, Kainos will only select a service provider to the extent Kainos determines that doing so is appropriate for a Fund given all surrounding facts and circumstances and consistent with Kainos' responsibilities under applicable law; provided, however, Kainos will not necessarily seek out the lowest-cost option when engaging such service providers as other factors or considerations will sometimes prevail over cost.

In addition, Kainos, the Funds and/or portfolio companies will engage common service providers. In such circumstances, there is the potential to be a conflict of interest between Kainos, on the one hand, and the Funds and their portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Kainos may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or their portfolio companies. In addition, different portfolio companies can receive different levels of discounts. Further, the service providers selected for the Funds can potentially charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these service providers by a Fund or its portfolio companies, on the one hand, may be more or less favorable than the rates paid to such service providers by Kainos, another Fund and its portfolio companies, on the other hand.

- *Other Activities of Management.* Subject to the Governing Documents, the Kainos Partners (as long as such Kainos Partners are actively involved in the management of, or employed by, Kainos or its respective affiliates) shall devote substantially all of their business time and attention to the business of the Funds, any parallel fund, any alternative investment vehicle, any holding vehicle, any co-investment entity, co-investment vehicle or other form of co-investment, any permitted future fund, Kainos (to the extent such time and attention is in connection with matters involving the foregoing entities) and their respective affiliates (excluding, for the avoidance of doubt, any affiliates established to advise additional funds with investment objectives that are different from those of the Funds). The Kainos Partners have existing obligations, including their continuing obligation in any officer or director position held by such Kainos Partner, engaging in civic, professional, industry and charitable activities as such Kainos Partner chooses, conducting and managing such Kainos Partner's personal and family investment activities and engaging in any other activities approved by the advisory committee. These other investment activities can pose

conflicts in the allocation of management resources, including the time and attention of the Kainos Partners, and the Funds will have no interest in these other activities.

- *Portfolio Company Relationships.* On occasion, certain portfolio companies can be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds that, although Kainos determines to be consistent with the requirements of such Fund's Governing Documents, would not have otherwise been entered into but for the affiliation with Kainos, and which could involve fees and/or servicing payments to entities that are not subject to the Management Fee offset provisions described herein. For example, Kainos can, like other private equity firms, in the future cause portfolio companies to enter into agreements regarding group procurement, benefits management, and other similar operational initiatives that could result in commissions or similar payments related to a portion of the savings achieved by the portfolio companies. In addition, portfolio companies of one Fund can potentially do business with, support, or have other relationships with competitors of portfolio companies of other Funds, and in that regard prospective investors should not assume that a company related to or otherwise affiliated with Kainos will only take actions that are beneficial to or not opposed to the interests of one Fund and its portfolio companies.
- *Line of Credit Utilization.* Use of leverage arrangements has the potential to provide Kainos with an incentive to fund portfolio companies or otherwise utilize borrowings in lieu of capital contributions. For example, calculations of net IRRs in respect of performance data included and/or referred to in the Governing Documents, and with respect to the Funds, as reported to the investors from time to time, are based on the payments of capital contributions by and distributions to the investors. In instances where a Fund utilizes borrowings under such Fund's subscription-based credit facility or asset-backed facility (or other facility), use of such facility can result in a higher reported net IRR than if the facility had not been utilized because such borrowings were used in lieu of capital contributions or in advance of related capital contributions that would then be made at a later date. In addition, in the event a Fund incurs such indebtedness, the preferred return accruing in respect of investors could be less than otherwise would have been the case in the absence of such indebtedness. As a result, Kainos (or an affiliate thereof) can sometimes be entitled (a) to receive Carried Interest earlier than it otherwise would have and (b) in certain circumstances, to receive more Carried Interest than it otherwise would have, in each case had such Fund not incurred such indebtedness and, instead, had required the investors to make additional capital contributions.
- *Determinations of Value.* The fair value of the portfolio companies will be calculated by Kainos in good faith in accordance with guidelines consistent with U.S. generally accepted accounting principles and reviewed by each Fund's independent accountants. Valuations are subject to determinations, judgments, projections and opinions and other third parties or investors can potentially disagree with such valuations. Accordingly, it is possible that the carrying value of a portfolio investment will not reflect the price at which such portfolio investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be

material. Additionally, under certain limited circumstances set forth in the Governing Documents, distributions in kind of portfolio companies for which market quotations are not readily available can be made. The valuation of such portfolio companies will be determined by Kainos in accordance with the Governing Documents.

The valuation of portfolio companies will sometimes affect Kainos' entitlement to Carried Interest, Kainos' entitlement to Management Fees from the Funds and/or the ability of Kainos to raise an additional fund or other vehicles or accounts. As a result, although such valuations will be determined in accordance with Kainos' valuation policies (and the valuation methodology described in the Governing Documents), there could be circumstances where Kainos is incentivized to determine valuations that are higher than the actual fair value of a Fund's portfolio companies.

- *Third-Party Involvement.* The Funds are permitted to co-invest through or invest in partnerships, joint ventures or other entities with third-parties that carry the potential to have economic or business interests or objectives, including exit strategies, that are different than or conflict with those of the Funds or that are in a position to take action contrary to a Fund's objectives, which can result in negative consequences, including loss of capital.
- *Transactions with Potential and Actual Investors.* Prospective investors should note that Kainos and its affiliates (including the Funds) from time to time engage in transactions with prospective and actual investors that entail business benefits to such investors. Such transactions will sometimes be entered into prior to or coincident with an investor's admission to a Fund or during the term of their investment. The nature of such transactions can be diverse and can include benefits relating to a Fund, other vehicles or accounts and their respective issuers or portfolio companies.
- *Insurance.* The Funds have or expect to purchase, and/or bear, premiums, fees, costs and expenses (including the expenses or fees of affiliated and non-affiliated insurance brokers) with respect to, insurance for the benefit of the Funds, Kainos and any indemnified person with respect to Fund-related matters. Kainos, the Funds and their respective portfolio companies and other investments will utilize an insurance broker or insurance provider in connection with all or part of their insurance coverage and the Funds can choose to leverage the scale of Kainos by participating in shared, or umbrella, insurance policies as part of a broader group of entities affiliated with Kainos. Any insurance policy purchased by or on behalf of a Fund (including policies covering a Fund, a General Partner or Kainos) could potentially provide coverage for situations where a Fund would not provide indemnification, including situations involving culpable conduct by Kainos. Nonetheless, a Fund's share of the fees and expenses in respect of insurance coverage will not be reduced to account for these types of situations.
- *Follow-on Investments.* Follow-on investments present potential conflicts of interest, including determination of the price of the follow-on securities and the allocation of the available opportunity in the case of a follow-on investment by a Fund in portfolio companies in which a

Fund or a co-investment vehicle has also previously invested. To the extent that a Fund has insufficient available capital to make a follow-on investment in a portfolio company in which it holds a portfolio investment, with advisory committee consent, Kainos can seek to have another Fund or other investment vehicle advised by Kainos make such follow-on investment in lieu of such Fund. Conflicts of interest can arise to the extent that any such follow-on investment is in a different class of securities than those held by each Fund or other investment vehicle. In addition, the Funds are permitted to participate in re-leveraging and recapitalization transactions involving portfolio companies in which a Fund or other investment vehicle advised by Kainos has already invested or will invest. Conflicts of interest can arise, including determinations of whether existing investors will be 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 interests in the applicable company or purchasing securities with terms that are more or less favorable than prevailing market terms.

- *Secondary Transfers.* Kainos has sole discretion over secondary transfers of interests pursuant to the Governing Documents, and Kainos will consider such factors as it deems relevant in making decisions relating to any such secondary transfers. Subject to certain restrictions in the Governing Documents, it is possible that Kainos will be asked to identify a limited number of investors or third parties to potentially acquire the interests that are to be transferred. While expenses related to transfers are generally borne by the parties effecting the applicable transfer, there can be circumstances (including, but not limited to, where a proposed transfer of interest by an investor is not consummated) where Kainos elects to bear the costs of a proposed or actual transfer or a Funds bear such costs.
- *Limited Access to Information.* Investors' rights to information regarding the Funds will be specified in the Governing Documents. However, certain investors will sometimes receive additional information that is not made available to all investors generally. For example, it is expected that investors who designate representatives to participate on the advisory committee will, by virtue of such participation, have more information about such Funds and investments in certain circumstances than other investors generally, or certain information could be disseminated to them in advance of communication to other investors. Similarly, certain investors will sometimes also be investors in other vehicles or accounts, or engage in transactions with Kainos or another vehicle or account, and could likely receive additional information through such arrangements. Certain investors will sometimes periodically request, or have side letters providing for periodic disclosures of, or receive as a result of certain regulatory requirements, information regarding a Fund and its portfolio companies that is not otherwise set forth in (or has yet to be set forth in) the reporting and other information delivered to all investors. Kainos will have no duty to ensure all investors seek, obtain or process the same information regarding Kainos, the Funds and/or their portfolio companies.

Certain information that is provided to one investor and not to another investor (or prospective investor) can potentially provide the recipient with greater insight into a Fund's activities, thereby enhancing such recipient's ability to make investment decisions with respect to such Fund

(including a prospective investor's decision to invest in a Fund) and/or take action or make other decisions pursuant to the Governing Documents. This could adversely affect investors that do not receive such information. In addition, an investor that seeks to transfer its interests, or a potential acquirer of such interests, could have difficulty in determining an appropriate price for such interests because it does not have information that it would consider material or which has been provided to its prospective counterparty.

- *Resolution of Conflicts Generally.* In the event that any matter arises that Kainos determines in its good faith judgment to constitute an actual conflict of interest between the Funds, Kainos can, subject to internal policies and the Governing Documents, take such actions as it deems necessary or appropriate, including such actions as described elsewhere herein, taking into consideration the interests of the relevant parties, the circumstances giving rise to the conflict and applicable law. Kainos' internal policies and protocols can be amended from time to time by Kainos in its discretion without notice to or the consent of investors or any other person. Any such resolutions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflict.
- *Advisory Committees.* In accordance with the Governing Documents, Kainos expects in certain situations to choose to seek the approval of a Fund's advisory committee with respect to potential conflict of interest situations and matters that are required to be approved by a client under the Advisers Act, and advisory committee approval will be required to resolve certain conflicts and other matters. Any such approval by a Fund's advisory committee will be binding upon such Fund and the investors.

Members of a Fund's advisory committee can have direct or indirect interests in the activities of Kainos or in investments and instruments, in some cases, similar to those in which a Fund seeks to invest. An advisory committee member is under no obligation to act in the best interests of a Fund as a whole and can potentially choose to act only in the best interests of the investor with which such member of the advisory committee is affiliated. This can result in potential conflicts of interest. In addition, members of an advisory committee can receive information regarding the proposed investment activities of a Fund that is not generally available to the public or other investors. There will be no obligation on the part of any advisory committee member to make available for use by the Fund any information or strategies known to or developed by it and, in certain cases, they have the potential to be prohibited from doing so. Furthermore, members of an advisory committee cannot be expected to be experts in investments in private equity and certain of the advisory committees' determinations can, in fact, adversely affect the performance of the Funds.

Item 9 – Disciplinary Information

Like other registered investment advisers, Kainos is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Kainos or the

integrity of Kainos' management.

On occasion, in the ordinary course of its business, Kainos, the Funds, or the Funds' portfolio companies (or their respective directors and executive officers) carry the potential to be named as defendants in a legal action. Although there can be no assurance of the outcome of such legal actions, Kainos does not believe that any current legal proceedings or claims to which Kainos, the Funds, or the Funds' portfolio companies (or their respective directors and executive officers) are a party, if any, would individually or in the aggregate materially affect an investor or prospective investor's evaluation of the Firm or the integrity of the Firm's management.

Item 10 – Other Financial Industry Activities and Affiliations

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Kainos nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing.

As described in Item 4 above, each Fund is affiliated with a General Partner. These General Partners are deemed registered with the SEC under the Advisers Act pursuant to Kainos' registration. Kainos provides personnel and other services to its Funds together with the General Partners. The General Partners do not have personnel of their own.

Kainos has no arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser, financial planner, futures commission merchant, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business, the Funds or their investors.

Kainos has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, investment banking, tax preparation, insurance brokerage, executive recruiting, background checks, environmental liability, investment due diligence, ESG and any related consulting or other services. Some of these professionals provide services to the Partners, employees, the Funds or their portfolio companies. Additionally, some of these professionals are investors in Kainos Funds, either personally or through their company.

From time to time, Kainos receives training, information, promotional material, meals, entertainment, gifts or other perquisites from vendors and others with whom it does business or to whom it makes referrals. At no time will Kainos accept any benefits, entertainment, gifts or other arrangements that are conditioned on directing individual Fund transactions to a specific security, product or provider. Similarly, Kainos employees have in the past, and expect in the future, to speak at or attend

conferences and programs for potential investors interested in investing in private funds and other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other industry events, prospective investors have the opportunity to meet with Kainos. Neither Kainos nor any Fund compensates these investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

Kainos does not recommend or select other investment advisers for the Funds.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading

As fiduciaries, Kainos and its employees have certain legal obligations to put the Funds' interests ahead of their own. We have adopted a written code of ethics, based on principles of openness, honesty, integrity and trust. The code of ethics is included as a part of our compliance manual and is provided to each employee and will be made available to Fund investors upon request. Our code of ethics covers, among other things, standards of business conduct, supervised persons' prohibited business practices, personal trading requirements, reporting of personal securities transactions and insider trading.

Each employee must certify that he or she has read, understands and agrees to comply with our compliance manual. Each employee must also certify initially upon hire and annually that he or she has complied with the compliance manual. We hold at a minimum an annual compliance training session, and attendance is mandatory for all employees.

Our "supervised persons" (all employees except for certain employees involved only in clerical and administrative activities) are required to notify us of all of their securities holdings and accounts and to submit to us no later than 30 days after the end of each calendar quarter securities transaction reports identifying all securities purchased and sold. Furthermore, we require that each supervised person re-affirm the accuracy of his or her list of accounts and securities on record with us at least annually. We maintain a restricted list of issuers about which we have or may have material nonpublic information. Because our business focuses primarily on private market investments, we expect that instances of our supervised persons having access to material nonpublic information regarding publicly-traded securities will be relatively infrequent. Supervised persons are required to obtain our approval before investing in any restricted list securities, initial public offering of securities or in any private placement of securities.

Our supervised persons are permitted to carry on investment activities for their own account and for family members, friends or others and are not prohibited from giving advice and recommending securities for friends and family which differ from advice given to, or securities recommended or

bought for, the Funds, even though their investment objectives will, in some cases, be the same or similar. In addition, Partners, employees and affiliates can be permitted to buy securities in transactions offered to but rejected by the Funds or that are outside the investment mandate of the Funds. Such transactions are subject to the policies and procedures set forth in Kainos' code of ethics.

A copy of the code of ethics is available to any investor upon written request to: William G. Neisel, Kainos (TX) Capital LP, 2100 McKinney, Suite 1600, Dallas, Texas 75201.

Participation or Interest in Client Transactions

Certain Kainos employees and their family members have invested in the Funds either through the General Partner and/or as Fund investors. As mentioned in Item 5 and Item 6 above, Kainos generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons. Kainos does not believe this arrangement presents any material conflict of interest since the General Partners' interests are aligned with the interests of investors in such Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Kainos will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser). Cross trades between funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either fund. In the context of Kainos' business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future fund or Kainos or a Fund General Partner purchasing the interest of an existing investor. Cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as broker) between two or more funds or accounts that are managed by that same adviser or an affiliate. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting a cross transaction under Section 206(3) of the Advisers Act. In the context of Kainos' business, a cross transaction would occur when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions occur when an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Kainos.

In the event Kainos were to recommend a principal transaction or cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory board or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction. During 2021, to facilitate a sale, Kainos formed a general partner entity to participate in the purchase

of a portfolio company being sold from Kainos Fund II to a third-party sponsor. The Firm followed the above steps in connection with the transaction as further disclosed to Kainos Fund II investors.

Conflicts of Interest

Kainos and its related entities engage in a broad range of activities, including providing investment advisory, management, monitoring and other services to the Funds and their portfolio companies. In the ordinary course of conducting its activities, the interests of a Fund at times conflict with the interests of Kainos, other Funds or their respective affiliates. Certain of these conflicts of interest, as well as a description of how Kainos addresses such conflicts of interest, can be found in Item 8 above. More information regarding conflicts of interest and potential conflicts of interest is available in each Fund's Governing Documents.

Item 12 – Brokerage Practices

While Kainos generally focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions, the Funds on occasion engage broker-dealers and investment bankers to perform various services for the Funds and portfolio companies, such as assisting in the purchase or sale of a private portfolio company. Kainos has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, Kainos will seek best execution of the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Selection of a broker-dealer or investment banker will be based on Kainos' best judgment of who can provide best execution and will consider a variety of factors, including but not limited to: Kainos' prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services provided; and the cost, among other factors. Although Kainos generally seeks competitive commission rates, it does not necessarily pay the lowest commission or commission equivalent. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. Kainos believes the commissions or mark-ups charged are competitive with those that other broker-dealers or investment bankers charge.

Kainos does not pay or receive soft dollars, does not receive fees for investor referrals, does not direct brokerage or advise investors on doing so, and does not currently aggregate trades.

It is not expected that opportunities to aggregate the purchase or sale of securities will occur frequently. However, if such opportunities arise, Kainos intends to trade such securities on an aggregated basis and allocate such purchase or sale of securities pro rata.

Item 13 – Review of Accounts

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly Kainos' review of them is not directed toward a short-term decision to dispose of securities. Decisions as to when to purchase or sell a portfolio company are made by the Kainos investment committee, generally our Partners. Our Partners are responsible for oversight of the investment, monitoring, and exit processes. In addition, our investment professionals generally meet weekly to review potential new and existing portfolio companies.

The Chief Compliance Officer and Chief Financial Officer review the accounts of the Funds on a quarterly basis and periodically check to confirm that each Fund is maintained in accordance with its stated business objectives. The Chief Compliance Officer and/or Chief Financial Officer would perform additional reviews in the event that a portfolio company needed subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue.

Investors in the Funds are generally provided with audited annual financial reports prepared in accordance with U.S. generally accepted accounting principles ("GAAP") accompanied by the report of the independent certified public accountant and quarterly unaudited summary financial information as specified in or in accordance with the terms of each Fund's Governing Documents. This information is generally provided electronically, or by hard copy if requested. Investors are also provided with annual tax information.

Item 14 – Client Referrals and Other Compensation

As mentioned in Item 5 above, Kainos or certain of its affiliates have the right to receive certain Other Fees in connection with the Funds' investments and portfolio companies, as described in each Fund's Governing Documents. These fees are paid pursuant to separate agreements entered into with certain portfolio companies to provide certain consulting services that Kainos believes will ultimately enhance the value of the companies and benefit the Funds and their investors. Generally, a percentage of such Other Fees are offset against the Management Fee, if any, as outlined in each Fund's Governing Documents. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

These types of fee arrangements present potential conflicts of interest and provide Kainos with an incentive to recommend investments based on compensation received rather than the best interests of the Funds. To help mitigate this potential conflict of interest, an allocable portion of such benefits received by Kainos or its employees in connection with services rendered to portfolio companies or transactions of the Fund are offset in part or in whole against (and therefore reduce) Management

Fees, if any, payable by the Funds, to the extent described above in Item 5 and as detailed in each Fund's Governing Documents.

From time to time, Kainos enters into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a Fund. Any fees payable to any such placement agents will be borne by Kainos indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent agreement, including but not limited to placement agent travel, meals and entertainment expenses, typically are borne by the relevant Funds. All placement agents engaged by Kainos will be registered broker-dealers to the extent required by law or regulation.

Item 15 – Custody

Kainos is deemed to have custody over its Funds because the General Partners are not operationally independent from Kainos: each Fund's General Partner generally has full discretion and control over Fund investments and cash, including the ability of the General Partners to deduct fees from the Funds' accounts. To comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), Kainos has elected to undergo an annual GAAP financial statement audit by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board ("PCAOB") for each of its Funds over which it is deemed to have custody.

The Funds are audited annually by KPMG, a PCAOB registered auditing firm, and Kainos delivers (or will deliver, in the case of newly formed Funds) to the Funds and their underlying investors a copy of the annual audited financial statements within 120 days of the fiscal year end (or earlier as agreed to in the Governing Documents). In addition, upon the final liquidation of a Fund, Kainos will obtain an audit that covers the liquidation period and distribute such audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors in the Funds are encouraged to carefully review such financial statements.

Kainos does not accept physical possession of Fund assets or securities (other than certain privately offered securities to the extent permitted by the Advisers Act); securities are held by the Firm's qualified custodians, if applicable, and called capital is directly deposited or wired into the respective Fund's bank account. Kainos receives monthly statements from each of its qualified custodians on behalf of its Funds. For more information about the Firm's qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

Item 16 – Investment Discretion

The management agreements and/or the management authority granted to the Funds' General Partners pursuant to each Fund's Governing Documents provides us directly or through the relevant General Partner with full discretion to determine investments to be purchased and sold on behalf of the Funds and the terms of the related transactions. Limitations on our investment discretion are set

forth in the Governing Documents of each Fund. Investment advice is provided directly to the Funds, subject to the direction and control of the Fund's General Partner, and not individually to the investors in the Funds.

To become an investor in a Kainos Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such documents generally contain a power of attorney that grants Kainos or its General Partner certain powers related to the orderly administration of the affairs of the Funds. Kainos generally is not required to contact an investor prior to transacting any business once an investor executes these documents.

Generally, Kainos' only restrictions with respect to managing a Fund, such as (but not limited to) the type of securities in which a Fund invests, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on Kainos' authority through a side letter agreement, though the Firm chooses whether or not to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by upon Kainos' investment authority with respect to an investor's investment must be presented to Kainos and the relevant Fund General Partner in writing and agreed to by all applicable parties. Other investors meeting certain commitment thresholds can be provided with notification provisions regarding such side letter agreements but are not provided with consent rights regarding such agreements.

Item 17 – Voting Client Securities

By virtue of the applicable Governing Documents, Kainos has the authority to vote proxy statements on behalf of the Funds. The majority of "proxies" received by Kainos, however, are written shareholder consents or similar instruments for private companies owned by the Funds. As such, we have adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. Our proxy policy seeks to ensure that we vote proxies in the best interest of the Funds with a goal towards maximizing overall value. Kainos generally believe its interests are aligned with those of the Funds' investors through the Partners' beneficial ownership interests in the Funds.

We will determine whether there is, or appears to be, a material conflict of interest that has the potential to influence the voting decision in a manner that would be adverse to the interest of the Funds. If we determine that there is no material conflict of interest, then we will make the voting determination and take the required voting action. If we determine that, due to a conflict of interest, we are not capable of making an independent determination as to the voting decision, the voting decision will be that recommended by the applicable Fund's advisory board or through other alternatives set forth in Kainos' proxy policy. The Funds, and underlying Fund investors, cannot direct our vote in a particular solicitation nor are we required to seek investor approval when voting proxies. The Funds are controlled by the General Partners (our affiliates) and, as such, the Funds will be aware of how we voted with respect to their securities.

Kainos does not consider service on portfolio company boards by Kainos personnel or the receipt of nominal board fees to create a material conflict of interest in voting proxies with respect to such companies.

Our proxy policy is available to investors in the Funds upon written request to: William G. Neisel, Kainos (TX) Capital LP, 2100 McKinney, Suite 1600, Dallas, Texas 75201.

Item 18 – Financial Information

Kainos does not require prepayment of more than \$1,200 in fees per Fund, six months or more in advance, has no financial condition that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy petition at any time during the past 10 years.